NOTE

This Microfiche meets the quality requirements of the American National Standard for Microfiche of Documents (ANSI PH5.9-1975). However, because of imperfections in the document from which it was made, it contains images that are illegible or difficult to read. The source document for this microfiche is the best copy that could be obtained prior to filming.

CIS Congressional Information Service, Inc.
Washington, D.C.

S. HRG. 99-821

AUTHORIZATIONS FOR USTTA

HEARING

BEFORE THE

SUBCOMMITTEE ON
BUSINESS, TRADE, AND TOURISM

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

NINETY-NINTH CONGRESS

SECOND SESSION

ON

S. 2307

TO PROVIDE AUTHORIZATION OF APPROPRIATIONS FOR ACTIVITIES OF THE UNITED STATES TRAVEL AND TOURISM ADMINISTRATION

APRIL 18, 1986

Printed for the use of the
Committee on Commerce, Science, and Transportation

U.S. GOVERNMENT PRINTING OFFICE

63-705 O WASHINGTON : 1986

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

S261-53

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

JOHN C. DANFORTH, Missouri, *Chairman*

BOB PACKWOOD, Oregon
BARRY GOLDWATER, Arizona
NANCY LANDON KASSEBAUM, Kansas
LARRY PRESSLER, South Dakota
SLADE GORTON, Washington
TED STEVENS, Alaska
BOB KASTEN, Wisconsin
PAUL S. TRIBLE, JR., Virginia

ERNEST F. HOLLINGS, South Carolina
RUSSELL B. LONG, Louisiana
DANIEL K. INOUYE, Hawaii
WENDELL H. FORD, Kentucky
DONALD W. RIEGLE, JR., Michigan
J. JAMES EXON, Nebraska
ALBERT GORE, JR., Tennessee
JOHN D. ROCKEFELLER IV, West Virginia

W. ALLEN MOORE, *Chief Counsel and Staff Director*
RALPH B. EVERETT, *Minority Chief Counsel and Staff Director*

SUBCOMMITTEE ON BUSINESS, TRADE, AND TOURISM

LARRY PRESSLER, South Dakota, *Chairman*

BOB PACKWOOD, Oregon
ALBERT GORE, JR., Tennessee

CONTENTS

LIST OF WITNESSES

	Page
Opening statement by Senator Pressler	1
Opening statement by Senator Hollings	5
Opening statement by Senator Inouye	5
Opening statement by Senator Gore	6
Text of S. 2307	7
Bevan, David Gilroy, and Roger Gale, Members of Parliament; Joseph Hallissey, Jr., chairman, American Society of Travel Agents; and William D. Toohey, president,. Travel Industry Association of America	36
Prepared statements:	
Messrs. Roger and Gale	40
Questions of Senator Inouye and the answers of Mr. Hallissey	46
Mr. Toohey	49
Questions of Senator Inouye and the answers	53
McMahon, Patrick A., director of tourism, Commonwealth of Virginia; Robert Willis, director of tourism, Baltimore Office of Promotion and Tourism; Wayne Chappell, executive director, Baltimore Convention Bureau; James Montgomery, Pan Am World Airways; and Scott Lorenz, president, Mayflower Hotel	19
Prepared statements:	
Mr. Chappell	23
Questions of Senator Inouye and the answers	24
Mr. Shugrue	26
Questions of Senator Inouye and the answers of Mr. Lorenz	32
Tuttle, Donna, Under Secretary for Travel and Tourism, U.S. Travel and Tourism Administration, Department of Commerce	11
Questions of Senator Inouye and the answers	18
Warner, Hon. John, U.S. Senator from Virginia	10

ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

Bale, Dennis E., vice chairman and chief executive officer, Super 8 Motels, Inc., letter	69
Combs, G. Wendell, secretary, Kentucky Tourism Cabinet, statement	59
Fox, Bayard, Bitterroot Ranch, letter of April 8, 1986	60
Hansen-Sturm, Cord D., First Family of Travel Specialist, Ltd., letter of April 25, 1986	68
Herschend, Peter F., president, Silver Dollar City, letter of April 15, 1986	66
Hong, Stanley, president, Hawaii Visitors Bureau, statement	65
Inouye, Hon. Daniel K., U.S. Senator from Hawaii, letter of September 12, 1986	63
Krivit, Daniel H., letter of April 15, 1986	61
Niskanen, Paul M., proprietor, Tag-A-Long Tours, letter of April 16, 1986	66
Todd, Hank, chairman, National Council of State Travel Directors, State of Minnesota, statement	59
Whitley, Robert E., executive vice president, U.S. Tour Operators Assn., letter of May 14, 1986	62

U.S. TRAVEL AND TOURISM ADMINISTRATION REAUTHORIZATION

FRIDAY, APRIL 18, 1986

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
SUBCOMMITTEE ON BUSINESS, TRADE, AND TOURISM,
Washington, D. C.

The subcommittee met, pursuant to notice, at 9:35 a.m., in Room SR-253, Russell Senate Office Building, Hon. Larry Pressler, (Chairman of the subcommittee) presiding.

Staff members assigned to this hearing: Gerri Hall, professional staff member; and John Hardy, minority staff counsel.

OPENING STATEMENT BY SENATOR PRESSLER

Senator PRESSLER. Let me call the hearing to order and welcome everyone. We are here to discuss the authorization of funding for the U.S. Travel and Tourism Adminisration for fiscal years 1987–89.

This committee has always strongly supported the USTTA. The first major legislation considered by this subcommittee was the National Tourism Policy Act which created the USTTA and the position of Under Secretary of Commerce for Travel and Tourism which is filled so capably by Donna Tuttle at this time.

Since the passage of the National Tourism Policy Act, the subcommittee has attempted to provide sufficient budget authority for the USTTA to carry out its mission. Despite strong and consistent congressional support, USTTA's budget has been under constant attack by the OMB. It seems that almost every year we have to go through this cat and mouse game in which OMB recommends eliminating this important tourism promotion agency and Congress puts it back.

Time and again, we have sent a strong signal to the administration that the USTTA is an essential agency with an important role. Time and again we get the same response. So we continue in this exercise today with the hope that sooner or later someone down there will get the message.

Earlier this week I, along with 17 cosponsors, introduced S. 2307, a bill to reauthorize USTTA for fiscal years 1987, 1988 and 1989 at $13 million, $14 million and $15 million, respectively. An appropriation of of $12 million was appropriated for 1986, which has been reduced to $11.484 as a result of the March 1,, 1986 sequestration order.

As mentioned earlier, the administration has recommended, as it did in 1986, that the agency begin to phase out during the upcoming fiscal year.

The purpose of this hearing today is to discuss S. 2307 and to highlight the unique and essential role that the United States Travel and Tourism Administration fills in maximizing the impact of travel and tourism as an export, a major and positive contributor to the U.S. balance of trade.

In this role, the USTTA wears many hats, two of which we will be highlighting today.

First, marketing consultant: USTTA works with States, cities, and Federal agencies as well as over one million travel-related busiesses to make them more aware of the international market and how to enter it through joint marketing efforts that are able to compete effectively with major foreign tourism campaigns.

We will hear how the USTTA assists regional groups, States, localities, convention and visitors bureaus and private travel and tourism businesses with cooperative advertising. We will also learn how USTTA's nine field offices around the globe then work to identify marketing opportunities for participating U.S. tourism exporters and educate travel sellers abroad about the U.S. product.

I would like to note that the newly reconstituted Old West Trail Foundation which includes my own State of South Dakota as well as North Dakota, Montana, Wyoming and Nebraska, has begun to work with USTTA this year.

At this time, of $477.3 million spent by tourists in South Dakota, only about $8.5 million or less than 2 percent, is brought in by foreign visitors. I am sure that the foundation will be working to increase its share of the international market under its leadership in Rapid City, South Dakota.

I understand that in fiscal year 1985, 1,239 partners, representing all segments of the tourism industry, participated in USTTA cooperative advertising programs, many of them entering the international market for the first time. Early indications are that the USTTA's return on investment ranges from 10:1 to 19:1 which is an amazing return.

Another major component of the marketing assistance provided by the USTTA is the collection, analysis, and distribution of data on travel and tourism trends and their economic and social impacts. Competition for the world tourism market has intensified in recent years. We will be hearing how USTTA has been able to locate untapped markets and to direct U.S. travel and tourism exporters to them.

We are also looking forward to hearing more about the preliminary results of USTTA's new "In-Flight Survey" which has been developed to measure the impact of recent promotional campaigns in four international markets.

Second, the International and Intergovernal Affairs Liaison provided by the USTTA is very important: USTTA works with foreign governments to remove trade barriers and restrictions to free movement between nations.

About a month ago, I was pleased to be able to announce that USTTA was successful in negotiating for Canada to remove a prohibitive sales tax on U.S. tourism literature entering that country. Indeed, the elimination of barriers to U.S. travel and tourism trade has been an important part of USTTA's mandate.

I believe it is important to recognize that USTTA is now serving as a critical link between our tourism and travel industry, the U.S. State Department and national tourism offices throughout the world in addressing the problem of world terrorism.

I know that USTTA's counterparts worldwide and our own travel and tourism leaders have appreciated its leadership in this area. We will be hearing from distinguished witnesses from Great Britain today who have been working with the USTTA on this serious problem

I am pleased to announce we have two members of the U.K. Parliament, Mr. Dave Kilroy Bevan and Mr. Roy Gale, who serve on the Conservative Backbench Tourism Committee. They lend an important international perspective to the issue of travel and tourism promotion.

The question we are called upon to answer today is whether the continuation of USTTA is necessary. It has been suggested that private travel and tourism interests would fill the void should the USTTA be eliminated. It is said that States, which now mainly focus on the domestic market, would rise to the occasion and find funding to access the foreign market if there were no USTTA. It has been claimed that it simply is not necessary to have a national travel and tourism office to represent the industry internationally.

I believe that this hearing today will show that the USTTA is necessary and that only that agency can articulate, demonstrate and represent the various elements of U.S. travel and tourism as a whole to the rest of the world.

The tourism industry would be the first to note that their interests are frequently highly competitive and that sometimes parochial, proprietary interests rule the day. I do not believe there is a single corporate entity or a association or any State or municipal agency or grouping which would be either willing or able to promote both the popular and lesser-known attractions of the United States as a single package in direct competition with other nations for the potential international travel and tourism consumer.

Certainly international visitors will come to Disneyland, New York City, Washington, DC, and Yellowstone Park on their own. However, we need USTTA to help them discover what they can find throughout the rest of the country.

Similarly, members of the U.S. Senate Travel and Tourism Industry Advisory Council, who meet regularly to advise this subcommittee, and others in the industry have repeatedly expressed their appreciation for the USTTA's assistance in helping them formulate an industrywide response to the issues related to terrorism and its impact on travel and tourism.

Only USTTA has the vital linkages and proven mechanisms, both formal and informal, that are necessary to address the need for good communication and cooperation between all parties concerned, a need which was raised in the Vice President's recent Task Force Report on Combating Terrorism.

I will be interested in hearing the comments of our witnesses with regard to the services USTTA provides and whether they feel there would be other means to accomplish the same purposes as efficiently and effectively.

I would call on my colleagues for opening statements.

Senator Ford.

Senator FORD. Thank you, Mr. Chairman. I have no opening statement. I do have statements from Senators Hollings, Inouye, and Gore which they would like placed in the record.

Senator PRESSLER. Without objection, it is so ordered.

[The statements and bill follow:]

Opening Statement by Senator Hollings

Twenty-six years ago, when I was Governor of South Carolina, I first realized the vital role tourism plays in our economy. According to a study I read back then, Myrtle Beach had a large budget for tourism and was reaping huge dividends from its wise investment. Meanwhile, my hometown of Charleston was spending very little on tourism promotion and, as you might expect, was receiving vey few tourism dollars.

I discovered then that many communities across South Carolina—a State so rich in history and natural beauty—could profit from a statewide effort to promote tourism. So, in the early 1960's, we established the Legislative Committee on Tourism Trade. In 1965 we launched the first Governor's Conference on Tourism and Trade. And later, the State instituted the Department of Parks, Recreation and Tourism. The governmental activism that began there has paid off handsomely. In 1985 travel and tourism generated more than $3 billion in direct visitor expenditures; and those expenditures provided jobs for 80,521 South Carolinians.

Travelers also accounted for $179 million in tax revenue: $152 million of which went to the State, and $27 million for local governments. That $179 million in taxes went to build facilities such as schools and hospitals and to provide services for all the residents of South Carolina. It also means that our State personal income tax bill was, on average, $174 less than it would have been without those visitors.

Statistics on international travel for 1984 show that 29,300 tourists from Europe visited South Carolina and spent $6.6 million. This resulted in a cost/benefit ratio of $66.27 for each dollar invested by the State.

The same kind of economically important story can be told by nearly every one of our fifty States and the Federal Government. With some exceptions, all came late to a realization of tourism's potential, but once they started to capitalize on that potential they discovered that the economic yield was tremendous. At the national level, tourism is our third ranking industry, and generates over $240 billion in expenditures annually.

The cost to the Federal Government for a National Tourism Office to assist the industry's private sector, as well as our cities and States, in promoting the United States as an international tourism destination is a meager $12 million a year. And the cost/benefit ratio of the Federal program is at least an $18.50 return for every Federal dollar spent.

I therefore find it inconceivable that the administration proposes to eliminate the United States Travel and Tourism Administration in the interest of fiscal austerity. On the facts, such a proposal is fiscal irresponsibility.

I am a co-sponsor of S. 2307, which would authorize 3 year funding for the Travel Administration, and I will do my best to ensure its enactment.

Opening Statement by Senator Inouye

The Administration proposes to eliminate the United States Travel and Tourism Administration at a time when: More than 170 foreign governments maintain offices in the United States to develop tourism to their respective countries; and, there are at least: 68 foreign government tourism offices in the United Kingdom; 52 in the Federal Republic of Germany; 48 in France; and, 40 in Japan.

Unless all of these countries are wrong, it seems clear that national governments have an essential role in marketing their countries as international tourism destinations.

The International Travel Act of 1961, and the National Tourism Policy Act also give express and unequivocal recognition to this necessity. The 1961 act created our National Tourism Office, and the Policy Act greatly enlarged its functions and responsibilities.

Nevertheless, the administration has not only chosen to ignore what every other country recognizes; it has chosen to repeal indirectly a law which Congress has enacted.

In my view, this is an ill-advised way to legislate because it tends to obscure debate on the underlying policy reasons which prompted Congress to enact the 1961 act and the Tourism Policy Act.

I might add that this approach is not unique to the present administration, the Carter administration also tried it, albeit unsuccessfully.

I wish to commend the distinguished chairman of the subcommittee. I believe these hearings will show why the role of our National Tourism Office is unique and indispensable.

No other agency of Government has the expertise and the resources necessary to market international travel. This full time commitment in a highly specialized area in turn engenders the confidence of the private sector of the industry and the traveling public.

The role of a National Tourism Office was eloquently described by the former Assistant Secretary of Commerce for Tourism, C. Langhorne Washburn, in testimony before this subcommittee in 1979.

"No airline or hotel can speak for the people of the United States. Only the U.S. Government can assure foreign nations that they are welcome in our country.

"No element of the travel industry, no single State or city, can be expected to portray our national treasures, or other culture and accomplishments, and invite the people of other nations to experience them.

"The promotion of tourism to the United States profoundly affects our image as a nation in the eyes of the world. In many ways, it is a political action more than a commercial one, and it can have political consequences.

"We cannot entrust to private industry alone a task which is so inextricably linked to our basic ideals and national well-being."

I believe the cooperative Government-Industry approach to travel marketing which was recommended by the industry's International Marketing Plan Development Committee, and subsequently adopted and coordinated by USTTA, is another example of why the role of USTTA is unique and indispensable.

OPENING STATEMENT BY SENATOR GORE

Mr. Chairman, I am pleased to be able to join you today in supporting an adequate authorization level for the U.S. Travel and Tourism Administration.

It seems that, if it is budget season, it is time for the administration to propose tossing the USTTA out the door. This is a broken record that has become increasingly a weary repetition of the privatization theme.

Mr. Chairman, there are things that the private sector can do best, such as running an airline, selling shoes, operating an restaurant. I will be the first to concede that the public is better off keeping government out of most private businesses.

On the other hand, there are functions that are uniquely appropriate for government—such as defense, various health and safety regulatory activities, law enforcement, and so on. And there are still other functions that are best managed when government and private businesses come together for the mutual benefit of the public and private enterprise.

Such a cooperative success story is the U.S. Travel and Tourism Administration. For a very small public investment, everyone benefits. Growth in U.S. travel and tourism businesses helps the U.S. economy, reduces the trade deficit, promotes job development, especially in areas unable to mount massive tourism promotion campaigns.

My state, Tennessee, is a clear beneficiary from an aggressive U.S. policy in promoting travel by foreign tourists to this country. Tourism is our no. 2 industry, and has always been a strong part of our state economy. But now, more and more of the tourists who visit Tennessee are coming from abroad. And they return a second and a third time. That is a significant, positive development.

Certainly the falling dollar has contributed to a rising flow of tourists from abroad, but I believe the promotion efforts of USTTA and the industry itself are also to be credited for that surge. Foreign travelers have, and always will know about the attractions of New York City, Hollywood, Miami, and other established, big city sites. But now, thanks to aggressive promotion, they are drawn to Gatlinburg, and Opryland, and Beale Street, Memphis, and hundreds of other attractions until now less known abroad.

In the USTTA and its work in coordinating the travel industry promotion of the states and private operators, we have a successful synergism—the sum of the effort exceeds what any of the individual participants might be able to accomplish on their own.

The industry wins. The U.S. economy wins. The taxpayer wins. That is a formula we should support, and the USTTA authorization bill does just that.

Mr. Chairman, I look forward to the testimony of Ms. Tuttle, and I look forward to working with you, Senators Inouye, Hollings, and others on this committee to continue the support of this important function.

Thank you.

99TH CONGRESS
2D SESSION

S. 2307

To provide authorization of appropriations for activities of the United States Travel and Tourism Administration.

IN THE SENATE OF THE UNITED STATES

APRIL 15 (legislative day, APRIL 8), 1986

Mr. PRESSLER (for himself, Mr. GORE, Mr. INOUYE, Mr. HOLLINGS, Mr. ABDNOR, Mr. ANDREWS, Mr. WARNER, Mr. JOHNSTON, Mr. MELCHER, Mr. MOYNIHAN, Mr. BOSCHWITZ, Mr. HECHT, Mr. COHEN, Mr. WILSON, Mr. NUNN, Mr. MATSUNAGA, Mr. LONG, and Mr. LAXALT) introduced the following bill; which was read twice and referred to the Committee on Commerce, Science, and Transportation

A BILL

To provide authorization of appropriations for activities of the United States Travel and Tourism Administration.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the Congress finds and declares that—

(1) the travel and tourism industry in the United States is vital to the economy of the Nation, and accounts for more than $240,000,000,000 in annual revenues, employs more than five million persons, and

contributes to the international balance of payments by generating nearly $15,000,000,000 as an export; and

(2) the United States Travel and Tourism Administration serves a unique and vital role in the promotion of travel and tourism in the United States, by—

(A) coordinating travel and tourism activities of the Federal Government, State, and local governments, and the private sector in order to optimize their contributions to economic prosperity, employment, and the international balance of payments;

(B) ensuring the compatability of travel and tourism with other national interests, including historical and cultural preservation, energy development and conservation, environmental protection, and the judicious use of natural resources;

(C) eliminating unnecessary trade barriers to international operations of the United States travel and tourism industry;

(D) encouraging the free entry of individuals traveling to the United States in order to enhance international understanding and good will, consistent with immigration laws, laws protecting the public health, and laws governing the importation of goods into the United States;

(E) assisting in the collection, analysis, and dissemination of data which accurately measure the economic and social impacts of travel and tourism to and within the United States, in order to maximize the efficacy of planning in, and cooperative activities between, the public and private sectors; and

(F) harmonizing, to the maximum extent possible, all Federal activities in support of travel and tourism with the needs of the general public, the States, territories, local governments, and the travel and tourism industry, and providing leadership in the areas of travel, tourism, and national heritage preservation within the United States.

(b) It is therefore the purpose of this act to provide authorization of appropriations for the United States Travel and Tourism Administration, in order that the Administration may continue its activities to promote travel and tourism in and to the United States.

SEC. 2. Section 304 of the International Travel Act of 1961 (22 U.S.C. 2126) is amended by inserting immediately after "1982" the following: ", not to exceed $13,000,000 for the fiscal year ending September 30, 1987, not to exceed $14,000,000 for the fiscal year ending September 30, 1988,

1 and not to exceed $15,000,000 for the fiscal year ending

2 September 30, 1989".

○

Senator FORD. Mr. Chairman, Martin Shugrue, if I pronounced that good Irish name correctly, vice chairman and chief operating officer of Pan Am, made a speech yesterday at the International Aviation Club which relates to our problems today. It is very extensive, and I would not ask that you have it printed in the record. I only want to bring it to the attention of the committee. I thank the Chairman.

Senator PRESSLER. I would now like to call on our colleague from the State of Virginia, Senator John Warner.

STATEMENT OF HON. JOHN WARNER, U.S. SENATOR FROM VIRGINIA

Senator WARNER. Thank you, Mr. Chairman, and my good friend Senator Ford.

It is a privilege for me to start off each year with your committee on this subject as a lead-off witness. Maybe if, as you say, we can get the recognition of OMB and some others, it will no longer be necessary for us to gather our forces.

But this is a particularly important year, as the Chairman has pointed out. Out of the tragedy of the worldwide terrorist situation grows a challenge and indeed a responsibility for this nation to receive those coming to our shores for the purposes of tourism and to provide a safe and instructive visit while they are here. I think USTTA is ready to meet and work under these unusual circumstances.

In my brief career in this field, beginning in 1974 when I took over the Nation's Bicentennial, I have worked with many members of the staffs of Presidents on this subject, but I cannot recall any individual that has more professional and more dedicated approach than the current Deputy Secretary, Mrs. Tuttle.

As Co-Chairman of the Senate Tourism Caucus, I have been an ardent supporter of the United States Travel & Tourism Administration since its inception. The USTTA has been successful in encouraging States to develop their own tourism policies and developing a strong national policy for marketing the national and State tourism product.

The tourism industry does more to promote international goodwill than all of the millions of dollars spent annually on an other diplomatic or marketing campaign, and our international balance of trade is guaranteed positive results by the success of the tourism industry, an industry which is so great, the contribution to the health of the nation's economy should be high on the list of budgetary priorities.

As the Chair has described, realities are different. I am grateful at the wisdom of Congress in the years past, and I am certain this year we will prevail on this subject.

Now, today, Mr. Chairman and Senator Ford, I am pleased to introduce to the committee Mr. Patrick McMahon, the Nation's premier tourism commissioner and Director of Tourism for the Commonwealth of Virginia.

Mr. McMahon was a member of the staff of the Travel Industry of America for 7 years prior to becoming the Tourism Director for the State of Virginia beginning this year. During his tenure at TIA, he was the staff director of the National Council of State Travel Directors, Area and Regional Travel Organization, Urban Tourism Organization and Travel Attractions.

Mr. McMahon was on the TIA staff during the development of their international marketing campaign and thus has a most valuable perspective on the role of the USTTA in the development of state tourism industries.

We welcome him to the Senate today at the appropriate time when the Chair will call on him for his testimony. When he greeted me this morning, he said that one of his first initiatives was to revive the old slogan, "Virginia is a State for Lovers," and so I wish him well.

Senator PRESSLER. We thank you very much and we thank you for your stalwart support, Senator Warner. At this time, I will call on the Honorable Donna Tuttle, Under Secretary for Travel and Tourism, United States Travel and Tourism Administration, Department of Commerce.

STATEMENT OF DONNA TUTTLE, UNDER SECRETARY FOR TRAVEL AND TOURISM, U.S. TRAVEL AND TOURISM ADMINISTRATION, DEPARTMENT OF COMMERCE

Ms. TUTTLE. Thank you, Mr. Chairman.

Mr. Chairman, members of the committee, I am here this morning to support the administration's proposal to phase out the United States Travel and Tourism Administration and to request close-down funding in the amount of $4 million for fiscal year 1987. This amount will enable us to cover the cost of severance pay for 80 employees, cancellation of office space leases abroad, relocation of approximately 20 GS-level U.S. national employees currently assigned overseas and salary and benefits for a small staff of 12 to 15 to close out all contracts and operating systems, and to ensure the orderly transfer of records and residual operations.

While we recognize that successful activities directed to the promotion of international travel to the United States contributes to the nation's economy and to the balance of trade, fiscal necessity requires that we establish priorities among the many claims on the funds provided by the general taxpayer.

In response to the problem of a severe Federal deficit, the administration has decided to reduce or eliminate taxpayer support for those programs that it believes can better be carried out by private industry.

Moreover, we believe that the strongest contribution the Federal Government can make to the health of American industry is to create the conditions necessary for broad economic expansion.

The travel and tourism industry as well as State and local governments have been increasing their efforts in the international tourism marketplace. The Department will continue to encourage this by doing everything possible through legislation or deregulation to free private enterprise from the restraints imposed by government.

I would be happy to respond to any questions.

Senator PRESSLER. Senator Ford.

Senator FORD. I thank the Chairman. As it is, most of the time we have three places to be at one time. I thank the Chairman for allowing me to ask two or three questions; Mr. Chairman, I also have questions from the distinguished Senator from Hawaii, Mr. Inouye, for Ms. Tuttle and ask that she respond in writing to him.

On national television this morning, one of the networks gave an elaborate 10-point outline of what you should do if you are traveling outside the confines of the United States.

None of the recommendations were very palatable, if I can use that term. And after they went through this litany of things that you should not do, or should do to be very careful, they wound up with saying that the best advice we can give you is stay home for the next 2 or 3 months.

Now, that was national television this morning. That leads me to my two questions. I think it was estimated about 22.5 million foreign visitors were expected in the United States this year. Do you have a guesstimate on how many will now actually come or how much that will be reduced?

Ms. TUTTLE. We do expect a very good year, and that 22 million is an increase, a big increase over last year. Our December figures which are the most recent figures, show a double-digit increase in areas from Europe and the Pacific Basin which reconfirms our feeling that indeed travel is going to be coming in very heavily.

So far we have no evidence that the terrorism problem in Europe has affected inbound travel to the United States.

Senator FORD. Of course, one of the 10 items is don't travel on U.S. Airlines. That was one of the no-noes this morning. And that is not going to help our domestic airlines.

Now, do you see a reluctance by Americans to travel overseas? If you do, what will that do to our domestic tourism?

Ms. TUTTLE. Well, I do see a reluctance of Americans at this time to travel overseas. Sometime when incidents occur, time heals all things and traffic begins to pick up again. Yes, domestic tourism will be affected in the way that Americans will probably not be traveling abroad as they did last year and they will be traveling more in domestic areas within the United States, so I am sure domestic tourism in a way will

benefit from it, but I want to say that we would not want to see that benefit come that way.

We certainly do not want to benefit at the expense of other countries, nor at the expense of terrorism.

Senator FORD. Well, I do not know whether we want to or not, but it is something that may come to us anyhow, whether we like it or not. If the statement this morning becomes a reality, and for the next 2 or 3 months, U.S. citizens do not travel out of the country, shouldn't we be looking at what we might do to help domestic tourism?

Our second largest industry in Kentucky is tourism, and I think our tourism would be up somewhat this summer.

Do you have any way of making a judgment, or do you have any way to give us some kind of numbers now that we might be prepared for or could prepare ourselves for in the various and sundry States?

Ms. TUTTLE. Overall, we had been projecting a 4 percent increase, and the reason why that sounds low is because it takes into account the Canadian market and the Mexican market which are going to be down this year.

But if you separate the regions out, Europe was showing at least a 10 percent increase; the Pacific Basin was somewhere around an 11 percent increase; and we think actually that may be conservative.

There are other factors involved here. Certainly the drop in the dollar in Europe was a big factor in causing traffic to come in. Lower fuel prices, lower airline rates are certainly a factor.

I am a little bit concerned with reports on television telling people not to travel. A large part of our industry depends upon outbound travel. Travel is two way: inbound and outbound, and while it may be a very good year for the United States, I really regret to see comments made about that. And I am very distressed over comments made about the airlines because I have heard repeatedly that American-flag carriers are not safe and that just is not true.

Senator FORD. Well, it is not necessarily that they are not safe, but they are the prime targets.

Ms. TUTTLE. That is not true.

Senator FORD. It isn't?

Ms. TUTTLE. While we have had an American air carrier targeted twice now, what we have been trying to say is that no one is immune from terrorism, no country, no part of an industry, no part of a transportation, and I think it is wrong to single out either a certain company or a certain mode of transportation or a nationality.

Senator FORD. I do not think you have to tell the American people to be careful about traveling. I think if they read the papers and watch television and listen to the radio, they would have a reluctance right now.

I am just attempting here to try to find out the impact on our tourism in this country, whether it be foreign or domestic, and if our domestic tourism would increase then I think we ought to be prepared for that. And if the 22 million visitors coming here, or the estimated visitors coming here, if that is going to be reduced significantly, it might be made up by domestic tourism and things might balance out.

I am not trying to be critical. I am just trying to get to the problem here that we ought to face it, rather than react, and that is what I am getting to.

Thank you, MR. Chairman.

Senator PRESSLER. Well, thank you very much, and indeed we will get back to the subject of terrorism a bit later. But I do think that the shoe could always be on the other foot. Although terrorist acts have been mostly in Europe, the time may come when they are in our country. We hope and pray that is not the case, but this is something that any analysis of tourism has to include.

First of all, let me get back to some of the nitty-gritty things we have to work in terms of the budget. What do you believe the USTTA's strongest programs have been during the past few years? Which efforts have you been the most pleased about?

Please explain.

Ms. TUTTLE. Well, clearly, this has been our cooperative advertising program. The goal that we have been trying to go after is what the Commerce Department is trying to do, which is to encourage all businesses, States and cities to go out and to promote either their own product or a destination in the overseas market place.

We have acted as a catalyst, as a coordinator, as an umbrella, providing a theme and choosing and selecting and putting together the activities in which the States and cities and industry have become our partner. And that is really 90 percent of our program, the main emphasis.

Senator PRESSLER. You may submit additional material for the record if you wish.

Today we will be hearing from organizations of several types which participate in USTTA initatives. Which groups participate the most in your programs? Which groups benefit the most? Would you say that these programs also have spin-off or indirect effects? Please explain?

Ms. TUTTLE. Well, I think the groups who are involved are industry, certainly some of the very well-known States and cities, but something else that we have been trying to go after is to provide an opportunity for the small businessman and for smaller States and cities to get involved. And you mentioned the involvement of your own State which we were very happy to see take an active participation in Germany, in the ITB Trade Show, and from what I hear really it got a very good response.

We had Kansas involved, a State that has never been involved in the German market before. The State of Virginia, who you have a representative here today, was able to team up with an airline, Pan Am, and in that way they were able to take part in our German promotion program.

So we are trying to connect smaller businesses and States and cities to share the cost and the funds.

Senator PRESSLER. Part of the reason I am a great champion of what you do is that, as I mentioned in my opening statement, I think New York City and Los Angeles are going to get a lot of tourists. However, I

think the rest of us have to work together sometimes. I would not say that South Dakota is lesser known by any means, but some of the less wealthy areas very much need a cooperative effort.

What proportion of the cost of cooperative advertising is paid by USTTA relative to State and local governments and private participants? What has the average return on USTTA's investment been?

Ms. TUTTLE. We have been trying for an average minimum of at least a 4 to 1 ratio; that is, for every $1 USTTA would put in, industry, the private sector, would put in $4, and pretty much it has been that way.

The ratio differs in each market. It has been as high as 9 to 1, but that has been the basis. We have looked at other foreign tourist offices. Ireland has a very similar program to that where they do base their projects on a 4 to 1 ratio.

Senator PRESSLER. What is the time frame for planning and carrying out a cooperative advertising project? What are some of the considerations involved and would it be useful for a project-oriented agency to have multiyear legislative authority in order to accommodate multiyear planning?

Ms. TUTTLE. Well, it is a long process. In fact, I suppose it is a year-round process where you are both developing and placing your projects. You are out selling to the different States and cities and industry. It continues on throughout the year.

I know that in government, one does not usually get appropriation for three years in a row, so what we have been trying to do as part of our planning cycle has been to plan with the idea that we have looked ahead on what we would do in the future years.

Senator PRESSLER. You are also working with the Canadian Department of Tourism to study certain overseas markets. What information do you hope to obtain from this survey and what other projects do we have going on with Canada or other countries?

Ms. TUTTLE. We have been working very closely with Canada for a long time. We have been exchanging statistics for a long time with their Department. We went to the Canadians and recommended that perhaps we might join together on surveys taken in six markets each year for the next 3 years around the world, trying to find out more about the attitudes and perceptions of both the European and the citizens in the Pacific Basin about North America. And this was a cost-saving factor. We both were asking the same kinds of questions.

It may be the start of even something more in terms of promotion. I do not know, but we think it is going to be a very good activity for both countries.

Senator PRESSLER. How much does it cost to run a USTTA regional office overseas? I know that it varies somewhat. But in general, what does it cost and what kind of background and training do your field officers have?

Ms. TUTTLE. The overhead, without any programs of what we call a larger office or full office of seven people, is about $450,000. It is in the range of that. That is without any programs.

The background, a lot of the directors have been with USTTA for 15, almost 20 years. Originally, most of them, the majority of them, came out of the tourism industry in one way or another. They had some knowledge of tourism at either a State, local level, or a business themselves.

Senator PRESSLER. Now the USTTA has been involved in helping articulate industry concerns with regard to the impact of terrorism on international travel and tourism, as I understand it. In fact, I understand the State Department has recognized the unique position that USTTA occupies with regard to facilitating and communication and cooperation between U.S. travel and tourism interests, the U.S. State Department, and the governments of other nations.

Please describe some of your activities in this area.

Ms. TUTTLE. We had, obviously, a lot of consumer calls, calling us about the situation in the travel industry. We were concerned about our own industry, the economic effect that terrorism would have on the large majority of businesses that rely upon outbound travel. Certainly the travel agents, the small travel agents, are very heavily involved with that.

We also saw a need for some kind of a clearinghouse to collect the information and a need to assure that accurate information was being given out, both to the businesses themselves and to the traveling public.

So one of the first things that we did was that we planned a meeting and invited industry representatives into the State Department so that the State Department could hear very confidentially what economic effect terrorism was having on the tourism industry and I think that sharing was very beneficial to both parties.

The industry also had a chance to give their input of what information they thought or felt was needed to go out and reassure the traveling public that indeed people were still traveling.

Since that time, we were instrumental in forming a council, a Travel Security Policy Council, with private industry and that is in effect, and it is a mechanism to handle a lot of questions, to formulate policy. I have probably had about 17 foreign governments come into my office since all of this has happened, and again talking about the fact that indeed tourism means two-way traffic and what they could do to help alleviate the situation.

So that has basically been our role.

Senator PRESSLER. Over in the Foreign Relations Committee of which I am also a member, I always make the point that it may well be the tourism industries in some of these countries that put the most pressure on governments to cooperate in ending terrorism.

I had some people in my office the other day who said they expected our domestic tourism to increase because people would not go abroad so much; they would stay home. That may be a short-term gain. But I think all countries have to work together on this problem. We are going to be listening to some friends from Britain talk, not necessarily about this particular issue, but tourism issues in general from their point of view, and we will see what we can learn from them.

I believe that the tourism industries around the world can have an effective role in government policy-making. I think this was true in Greece where they put great pressure on the Prime Minister and their government when they had the airport advisory a year ago.

I think that we will find that the tourism industries in these different countries are a great tool for fighting terrorism because we do want to keep people moving around. I also think that we should emphasize, as you have, that statistically it is a very, very tiny portion of the traveling public who will be affected by terrorism; nevertheless, if there is a threat, people will make their own judgments.

I have urged that we work closely with the European governments and governments elsewhere because—and we hope and pray it never happens—the shoe could be on the other foot at some time, and I think that all of the civilized countries of the world have to work together on this important problem.

Ms. TUTTLE. I think it is also important that the tourism industry in a country or government share with the heads of government what kind of economic impact the terrorism has had on a country, on its industry. That is something that we have been trying to share with our own State Department and I think it would be very effective if the tourism industry in every country made their political leaders aware of how important international tourism was to the economy of their country.

Senator PRESSLER. Yes. I think probably that the tourism industries in the different countries are probably most affected in terms of private enterprise, including the related industries, be they airlines, hotels or whatever. Therefore it is an important industry in fighting terrorism.

Let me switch back to one other subject. I have long believed that in the United States, the tourism industry, as we shift more and more to a service economy—rightly or wrongly, but we are—will play a major role. Indeed we had the late Herman Kahn testify that by the year 2000 tourism may well be the United States' chief industry.

He pointed out a number of reasons for that, including that the grand tour of the so-called liberal arts education now includes a visit to the United States; that we have certain natural attractions that people want to see, and he gave quite a visionary bit of testimony here a couple of years ago and he has since passed away and we miss him very much.

However, my Industry Advisory Council has expressed serious concern over the lack of current systematically collected tourism data. Do you share that concern? And, of course, in a time of budget cuts, what can we do about it?

Ms. TUTTLE. I know there was a very effective survey that used to be taken and if I am not mistaken, I think the last time was in 1976, the National Travel Survey, and that was before my time, but I know the industry found that very useful.

I think you are aware that we have had several meetings on that subject, trying to find out how we could reinstitute that survey, perhaps being jointly funded by public and private sectors, and the discussion is still going on. We certainly have found it very beneficial. The informa-

tion that we received from the in-flight survey has also been helpful, because we have been able to, I think, awaken States to the importance of international tourism by showing them what the dollar receipts were, the numbers of people, the jobs created, and so I think research is absolutely important if you are trying to show people indeed the dimension of the service economy that is happening.

Senator PRESSLER. Do you have any idea what it would cost to get a good, current, systematically collected tourism data base?

Ms. TUTTLE. It really depends upon what size of survey that you're going to take. We at one time were talking $4 million and then we thought well, maybe we could cut down the size, and probably a research expert, either a Don Wynegar or Doug Frechtling could be much more specific about it.

But that was one of the figures that was given out, $4 million.

Senator PRESSLER. I think this completes all of my questions. Other members of the committee may have written questions to submit.

I want to say how much I appreciate your excellent work. It was my privilege to sponsor the legislation creating the Under Secretary and I think you have done an excellent job and we thank you very much for your presence here today.

Ms. TUTTLE. Thank you, Mr. Chairman.

[The following information was subsequently received for the record:]

[Insert C]

QUESTIONS OF SENATOR INOUYE AND THE ANSWERS

Question. (a) If USTTA is eliminated, is there another agency of Government or entity in the private sector which can devote the time and has expertise to enlarge on that very successful program?

(b) Since this is a cooperative effort requiring the participation of the private sector, cities and States, do you believe those interests will have confidence in the ability and willingness of another Federal agency which would only be doing tourism marketing as one of its many responsibilities?

Answer. (a) At this time, plans have not been developed to continue this program.

(b) The travel and tourism industry as well as State and local governments have been increasing their efforts in the international tourism marketplace. The Department of Commerce would encourage this approach.

At a hearing several months ago you told the subcommittee of the good work the Cabinet level Tourism Policy Council was doing, and how it was dealing with issues within the various agencies of Government which affect tourism.

That policy council, of course, was mandated by the National Tourism Policy Act.

Question. If USTTA is emiminated, what will happen to the Policy Council and the important work it was doing?

Answer. The administration is requesting legislation to repeal the International Travel Act of 1961 as amended by the National Tourism Policy Act of 1981. This action would eliminate the Tourism Policy Council.

According to statistics from the Department of Commerce, travel services marketing programs have had an $18.50–$1 cost/benefit ratio.

Question. (a) Do you know of any other Federal Government programs which has anywhere near that cost/benefit ratio?

(b) In view of those statistics, does it seem reasonabale to eliminate these programs in the name of Government economy?

Answer. No. The Department of Commerce would encourage the States, cities and private sector to take over USTTA's programs.

Senator PRESSLER. I shall now call forward Patrick A. McMahon, who has already been introduced; Robert Willis, director of tourism, Baltimore Office of Promotion and Tourism; Wayne Chappell, executive director, Baltimore Convention Bureau; James Montgomery, a very good friend from Pan American World Airways; Scott Lorenz, president of the Mayflower Hotel in Plymouth, MI.

We thank you all very much for being here. We have five witnesses. If you could summarize your remarks to about 5 minutes and submit your entire statement for the record, we would very much appreciate it.

On the Senate floor, we have now limited our opening statements to 5 minutes, which is a new experience for Senators. And Senator Dole says it takes a genius to be able to summarize down to 5 minutes.

So we will proceed on that theory, and I will call on Mr. McMahon first.

STATEMENTS OF PATRICK A. MC MAHON, DIRECTOR OF TOURISM, COMMONWEALTH OF VIRGINIA; ROBERT WILLIS, DIRECTOR OF TOURISM, BALTIMORE OFFICE OF PROMOTION AND TOURISM; WAYNE CHAPPELL, EXECUTIVE DIRECTOR, BALTIMORE CONVENTION BUREAU; JAMES MONTGOMERY, PAN AM WORLD AIRWAYS, PAN AM BUILDING; AND SCOTT LORENZ, PRESIDENT, MAYFLOWER HOTEL

Mr. MCMAHON. Mr. Chairman, it is a privilege for the Commonwealth of Virginia to speak to the need for a continued assistance and support of the USTTA.

Virginia has actively pursued a State tourism development promotion program since 1927 and today tourism ranks as the State's second-largest retail industry, employing over 95,000 Virginians.

With the growth of tourism into a global industry, Virginia, like many other States, has sought to develop international promotional programs to increase its export trade.

It has been through both the urging and assistance of the USTTA and its forerunner, the U.S. Travel Service, that Virginia has been able to increase its international market which currently accounts for 6 percent of Virginia's tourism activities.

Virginia, with USTTA's help, is now planning expanded programs overseas to promote increased international visitation and thus increase its State and Federal revenues.

Without the catalytic role and international marketing expertise that USTTA provides, Virginia would not be able to carry out a cooperative advertising and promotional program with Pan Am in Western Europe. It would not be able to carry out the cooperative advertising program in Canada with other States in the South. It would not be able to put on a trade mission with the District of Columbia and Maryland to Britain, nor would it be able to begin the promotional programs to Asian countries.

I think you would find that other States would have the same comments, were they here.

With the program reduction from the Gramm-Rudman-Hollings legislation already being contemplated in Virginia, the loss of USTTA's support would probably force Virginia to abandon its commitment to an international tourism marketing program which would be detrimental to Virginia's economy and in turn have a negative effect on attempts by the U.S. Government to improve the balance of payments situation.

Not only would Virginia face a decrease in its tourism program, but so would many other States who depend on USTTA to promote generically the United States as a destination, a role now being carried out in an ever-increasing manner by over 175 other national governments. Without the high recognition and identity of the U.S. and the international market on the part of USTTA, most States' efforts like Virginia's would be extremely curtailed.

Governor Baliles in a speech this last month stated that, "Tourism serves as the ambassadorial program to Virginia's economic opportunities." I feel that is a role that USTTA serves to the U.S. economic development, as it gives leadership to bringing more foreign visitors to the U.S.

Again, thank you for the opportunity to speak before this committee.

Senator PRESSLER. Thank you. I shall next call on Robert Willis, director of tourism, Baltimore Office of Promotion and Tourism, from Baltimore, MD.

Mr. WILLIS. Mr. Chairman, thank you. I am here representing the Baltimore Office of Promotion and Tourism, a city agency charged with the development and promotion of tourism to Baltimore domestically and internationally.

A short 5 years ago, foreign arrivals were practically nonexistent. Today, BWI Airport ranks 14th in the nation. While certainly not the largest gateway, international guests now account for 3.1 percent of all visitors to the Baltimore region.

In 1984, tourism figures from TIA's United States Travel Data Center tell us that tourism generated just over $500 million in revenue in Baltimore. Taking that 3.1 percent of the total figure, we find that our city alone generates over $16 million annually in revenue from international guests, more than the entire USTTA budget.

I would like to address the four particular points in regards to the questions that were presented earlier. Our own experience with USTTA and since the founding of the Baltimore Office of Promotion and Tourism in 1978, we have shared a close working relationship with the offices worldwide on virtually all of our international programs, the first being the Pride of Baltimore, an exact working replica of the 19th century Baltimore clipper ships.

The Pride travels around the world as a goodwill ambassador and as she travels to the various ports, we have consistently coordinated her visits with the various USTTA offices. They have provided strong working press lists, travel agency and tour package contacts, and have assisted in all aspects of planning the Pride visits.

Additionally, with greatly increased international service at BWI Airport, USTTA offices in London and in Frankfurt, have offered outstanding assistance in promoting travel trade and marketplaces where direct air service is available. As an indirect result, 3.1 percent, as I said of visitors to Baltimore, are now international guests.

Assistance in planning the World Travel Mart and International Tourism for us, the ITB in London and Berlin, by coordinating the displays and the buyers in these two international travel shows, all U.S. participants can expect considerably more business than if they were to attend these shows without support.

Then the shared cost brings this marketing within everyone's budget. Separately, no one could afford to participate. Each year there are Visit USA Committees that work with USTTA offices and plan travel exchanges between the United States sellers of travel and the worldwide professional travel planners and buyers.

Individually, I know of no State, city or hotel or other ingredient supplier who could afford to participate individually. Each year in late November, the City of Baltimore and World Airways co-sponsors a Chesapeake Bay Thanksgiving Crab Feast in Frankfurt. Top leaders in the community are invited to participate and the Baltimore image is strongly enhanced by this project.

The staff in Frankfurt greatly assist in this project. Numerous promotions in Canada would have been impossible without USTTA assistance in both Toronto and Vancouver. The value of a national government travel and tourism agency is a catalyst to State, local and private and cooperative marketing efforts.

There is no other agency interested or prepared to undertake the marketing of America as a single entity. Many, many small ingredients comprise the travel industry in America; yet collectively, travel and tourism accounts for 6.1 percent of the gross national product, or did in 1984, and that same year was a $220 billion industry.

We could not promote the USA effectively as individuals. There is a need for such an agency to represent the U.S. interest abroad and to work with other countries to address mutual concerns. It would be impossible for Baltimore and most other major U.S. cities to maintain an active liaison with constituents around the world without USTTA.

Finally, the suggestion that State, local and private organizations could deliver these and other services now provided by USTTA more effectively and more efficiently with the exception of the worldwide hotel corporations and a few airlines, I know of no entity that could afford to individually promote their tourism product so effectively.

The accrued value of tourism to the United States economy is enormous in comparison to the small amount spent by the U.S. in promoting the service industry.

Thank you.

Senator PRESSLER. I will next call on Mr. Wayne Chappell, the executive director of the Baltimore Convention Bureau.

Mr. CHAPPELL. Thank you, Senator Pressler, and thank you for allowing me to appear here both in my capacity as the executive director of the Baltimore Convention Bureau, but also as a representative of the International Association of Convention and Visitor Bureaus, which is an organization of over 200 American cities that are actively involved in destination marketing.

I also want to speak to you today in my capacity as an agency that represents Baltimore for bringing conferences, meetings, and conventions to our city, as does convention bureaus all over the country, in South Dakota, in small cities like Lubbock, TX and all over the United States that need to have this cultural exchange and the benefits of overall economic development that come from having an international meeting or convention in your city.

I also want to address the fact that we have talked here today about terrorism. Of course, it is a very immediate and frightening concern, but, I wish to point out that we cannot live in a reactionary world of immediate knee-jerk reaction when we are dealing with something like the ongoing promotion of international tourism to our country and particularly the promotion of international meetings because, I submit to you, that international meetings as do domestic meetings, select their site 3 and 4 years in advance. Hopefully, the current problem of terrorism is temporary and the effect on international travel will not be relevant to meetings and conventions that will take place years from now.

For example, 3 years ago we had a meeting in Baltimore which was booked 3 years earlier. It was the Society for International Development where there were over 2,000 representatives from 35 different countries in Baltimore, and as a matter of fact, the keynote address was given by the Secretary General of the United Nations. This created great impact on not only our City of Baltimore but also we hope that those 2,000 people took home an impression of our great country and, of course, of Baltimore. Perhaps it has encouraged an international understanding of the USA that will help very much in this time of terrorism.

We have a convention coming to Baltimore in 1988, the International Astronomical Union. There will be about 3,000–5,000 people attending that convention, therefore, Baltimore has developed some convention and meetings business coming from the foreign countries that we did not have a few years ago, and we have reached this plateau by working closely with the USTTA.

We could not have accomplished what we have accomplished and neither could the other small or large cities in the United States compete in this marketplace without the help of the USTTA offices. We worked closely with Mr Ed Shedlick of the Paris office and also Mr. Vito Passamente in the London office. You see, the international meetings and conventions decisionmakers are a very elusive market. It takes day-to-day efforts to locate and to track these meeting planners so that USTTA can pass that information on to cities like Baltimore, so that we can identify our clients.

I do want to encourage and actually plead for the continuation of the funding of USTTA because Baltimore would not be able to compete in this market and on behalf of the International Association of Convention and Visitor Bureaus representing over 200 cities in this country that also will be unable to compete.

We could not extend our invitations and proposals individually. We need the nationalistic effort of a coordinated governmental office to assist Baltimore or any other individual American city to appear before something like the International Vacuum Society and invite them to our individual city. We must have someone representing the entire country. We would be missing an ingredient with which other countries go forward in these decisionmaking processes.

I know that we recently lost a convention to Japan because there was such a strong national effort on the part of the government of Japan to get that convention. It was the International Congress of Surveying and Mapping and I think that if we would have had an even stronger USTTA, we might have had a better chance of getting that convention.

Thank you very much.

[The statement follows:]

STATEMENT OF WAYNE C. CHAPPELL, EXECUTIVE DIRECTOR, BALTIMORE CONVENTION BUREAU, INC.

Thank you for allowing me to submit this statement in my capacity with the Baltimore Convention Bureau but, more importantly, as a representative of the International Association of Convention and Visitor Bureaus.

IACVB is primarily an organization of American cities which was founded in 1914 to promote professional practices in the solicitation and servicing of meetings and conventions. Since its inception, IACVB has taken a position of strong leadership in the travel industry. Collectively, IACVB members invest over $250 million annually in destination marketing programs. Also, we represent 55,000 businesses that are beneficiaries of the industry. IACVB comprises more than 200 cities in the United States and has active ties with the United States Travel and Tourism Administration. Many of us rely on the USTTA as an important resource...almost an extension of our own sales departments. International conferences and seminars are an important market for many cities in the United States. This lucrative and influential world market is actively sought after by most countries in the free world. Individual cities and states in America cannot effectively compete against the nationalistic efforts of foreign countries. Americans are members of international organizations (scientific, health care, business, religion, etc.) and they attend these meetings and congresses in other countries. Because of the economic factor of "balance of payments" we need to reduce this part of our national trade deficit by attracting at least a fair share of this market to the USA. International conferences are not presently a major part of our meetings and conventions business in Baltimore as they are in many other American cities such as New York, Miami, Chicago, San Francisco, etc. Nevertheless, with the help of USTTA we have hosted some rather important meetings over the past several years such as the International Society of Development which was attended by 2,000 people from 35 different countries and had a "key note" address by the Secretary General of the United Nations, Javier Perez de Cuellar. Baltimore has also hosted some smaller international scientific and health care meetings but we do not have the financial resources to actively pursue this market without the assistance of the USTTA. The site selection process for international meetings requires sophisticated methods to find and contact decision-making leaders. Only the foreign offices maintained by the USTTA in places such as London and Paris can keep up the day-in and day-out monitoring necessary for an accurate list of potential clients. Our government should not reduce or eliminate funding for USTTA. As a matter of fact, we should vastly increase the funding for this

important function which cannot be replaced by any individual city or state. Now, more than ever, we need to encourage and foster travel to the United States so that foreign people can experience our culture and see what we have built...a high standard of living for freedom-loving people. We need stronger ties and understanding from all peoples of the world and particularly from our allies. Please strengthen not weaken the USTTA.

[The following information was subsequently received for the record:]

QUESTIONS OF SENATOR PRESSLER AND THE ANSWERS

Question. When the Administration talks about eliminating the USTTA, it says that one reason is that the agency uses the taxpayer's dollar to benefit a select few, and that the specific beneficiaries of tourism should be paying for those services, not the general public. How do you feel about this statement? Who does benefit from increased tourism?

Answer. The economic impact of tourism on Baltimore or any other city is one of profound penetration into almost the entire community. At first glance it may appear that only a select few are the beneficiaries such as hotels, restaurants, retail stores, etc. But this would be a grave error in that for every dollar spent in a hotel or restaurant, 70% to 80% is retired directly to the community through operational expenditures such as: (1) Salaries, wages and benefits; (2) Food and beverage supplies; (3) Cleaning supplies; (4) Florist companies; (5) Audio-visual companies; and (6) Etc.

Also, tourist to a city rent automobiles, taxi cabs and even buses. They spend money at theaters, symphonies, ball games, etc.

But even more importantly, all of the aforementioned companies pay their employees who then spend money at the neighborhood grocery store, barbershop, etc. Without tourism, many of these people would be unemployed.

Question. Can you quantify the increase in business—by dollar amounts or numbers of foreign visitors—you have seen as a result of the international marketing assistance you have received from the USTTA?

Answer. It is very difficult to quantify the amount of business that is directly attributed to the USTTA because it is only one of the key elements in a complex process of solicitation.

Question. What kind of monetary impact does a large convention like the one you describe involving 2,000 people from 35 countries have on a community?

Answer. The Society of International Development which brought to Baltimore approximately 2,000 people from 35 countries was worth over $1,120,000 to the trade channels of our city. This money then turns over in the local economy four to seven times.

Question. How much financial assistance do you receive for promoting international convention trade from the City of Baltimore and the State of Maryland? Do you think this level of assistance would increase if the USTTA were eliminated?

Answer. We do not receive any financial assistance form the city or state which is specifically for promoting international convention business. Also, I don't feel that this would change if USTTA were eliminated. We do receive $1.3 million from the City of Baltimore and $50,000 from the State of Maryland for general convention solicitation and service. Presently we spend about $30,000 per year in the international market. If USTTA were eliminated, we would probably abandon the international market.

Senator PRESSLER. Thank you.

Next I shall call on one of the original stalwarts of our advisory council and a person whom I have come to admire very much. Jim Montgomery of Pan American World Airways.

Mr. MONTGOMERY. Thank you very much indeed, Mr. Chairman. It is a delight to appear again before you. Actually, with your permission, I would like this morning to present the testimony of Martin Shugrue, who is my successor on Secretary Baldridge's Advisory Board and your International Advisory Council.

Martin Shugrue is vice chairman and chief operating officer of Pan Am and he and I have worked together on this testimony. I think we would both like to start by saying how delighted we are with our closer association with Virginia. We, too, would like to belong to a world class of lovers and we are hoping the Association will rub off on us.

We are here simply to say, Mr. Chairman, that it is in our opinion essential to the health of the travel industry, a $242 billion industry, and the national interest, that the USTTA continue to be funded at the proposed or an even higher level.

I will take your time here this morning only for two very compelling reasons that we see. One is the productive leadership which has been referred to in the generation of visitors to the United States, which USTTA has proved it and only it can provide, and which is best demonstrated by the success of the current cooperative advertising ventures.

They are capably managed by USTTA and they are supported with growing enthusiasm by a growing number of companies engaged in the travel industry. The current medium that they are using is the 24-page supplement to newspapers or magazines, and there will be other media used later, according to their plans.

But by their adroit use of the present media, they do provide for the industry discounts of between 20 and 40 percent. They conduct research which takes the whole industry into the better markets around the world. They bring together competitors who normally would not be associated with each other. And they get a maximum impact that way.

Of course, they do draw in, probably the most important point, the smaller firms that could scarcely afford to advertise at all by themselves.

Donna Tuttle referred to the ratio which I think is one to be very proud of, that the government here is spending one dollar and has led the industry into expenditures of at least $4 in proportion. Also, of course, after the ads appear, they generate response and they supervise the fulfillment of any response that there is.

In West Germany, as you probably know, Mr. Chairman, from December 1985 to May 1986, there were 41 organizations engaged in this cooperative advertising, 6 airlines, 13 cities, 2 visitor bureaus of cities or States, 3 hotel chains, 5 tour operators, large tour operators, 3 car rental firms, Amtrak and Disneyworld.

The total circulation of the magazines and newspapers used in West Germany was 2 million. In all the major markets served by the USTTA, some 160 organizations are presently cooperating in this way with an expenditure by those organizations, not by the government, but led by the government of $5 million.

The other reason for the continuance, Mr. Chairman, I am sure you will agree with, is the strong and courageous leadership which is now being demonstrated by the USTTA and the Under Secretary personally in this problem of international terrorism and its strange and enormous effect on the travel industry and therefore on the U.S. economy.

I think it was back, if my memory serves me right, in 1958, that the *New York Times* humbly published—and I quote—"A correction. As a result of a typographical error, a headline in some copies of the *New York Times Sunday* said that a flow of terrorists into France was resuming as tension eased. The headline was subsequently corrected to say that it was a flow of 'tourists' into France that was resuming. The *Times* regrets the error."

Unfortunately, it would now seem that there is a flow of terrorists, although the error in the media may be one of sensationalizing or misrepresenting some of that problem's elements.

Travelers have become a target to some extent and certainly every reasonable precaution to protect them should be and is being taken. But according to Ambassador Oakley's office, in 1985 the total terrorist incidents in the world involved some 2,223 civilians; 168 only were Americans, of whom unfortunately 23 were killed, 12 of them in Europe. But this is out of the 6,300,000 U.S. citizens who crossed the Atlantic to Europe during the year 1985.

There has to be a cool-headed understanding of what is happening, foresighted enough not to let this threat destroy one of the strongest contributions to the trade balance of the United States—the travel industry.

We should have and we do have within the Federal Government an agency which can supply the Department of State and the Department of Transportation and other agencies with crucial input on travel problems and trends and the potential impact and effectiveness of any antiterrorist measures. We have that presently in the USTTA.

It has also proved its capability in our experience by collecting and disseminating information relating to traveler security in the multitudinous entities of the industry in a more reliable and accurate way than the media's interviews today, yesterday, the day before with random, nonrepresentative, ill-informed personnel in the travel business.

That kind of leadership in the government, not available in previous crises, is worth much of the authorization we are discussing here today. It could well, Mr. Chairman, I believe, spell the difference between success and defeat for the entire industry.

Thank you very much.

[The statement follows:]

STATEMENT OF MARTIN R. SHUGRUE, JR., CHIEF OPERATING OFFICER, PAN AMERICAN WORLD AIRWAYS

INTRODUCTION

Mr. Chairman, Members of the Senate Business, Trade and Tourism Subcommittee:

My name is James Montgomery, of the Office of the Chairman of Pan American World Airways, where I was formerly Senior Vice President of Marketing. For its first three years, I had the privilege of being Chairman of the Travel and Tourism Advisory Board of the Secretary of Commerce, a Board created by the National Tourism Policy Act of 1981, and for an even longer period the pleasure and distinction of being a member of your own Travel and Tourism International Advisory Council, Mr. Chairman.

With your permission, Mr. Chairman, I am here, in his unavoidable absence, to present the testimony of Martin R. Shugrue, Jr., Vice Chairman and Chief Operating

Officer of Pan American World Airways, member of Secretary Baldrige's Travel and Tourism Advisory Board and Chairman of the Government Affairs Policy Council of the Travel Industry Association of America.

It is only fitting, Mr. Chairman, to express at the outset the deep appreciation of the travel industry, as we know it, to you and your Committee for the unfailing guidance and support you have given us over the years. The passage of the National Tourism Policy Act in 1981 was a milestone for our industry, not only in this country, but to serve as a model for tourism development policy throughout the world. In four and a half short years, your leadership and that of the Administration has brought about the recognition and respect the travel industry deserves, both because of its size and economic importance, but also its significance to general human progress.

PURPOSE AND RATIONALE

The purpose of this testimony is to urge in the strongest possible terms that none of the achievements of the last few years be abandoned by the United States Government, but rather that they be intensified and expanded; that their funding be increased to the extent possible, not as an expenditure, but as an investment, which it is, with a rather immense return to the Treasury; that the full extent of the law of the land, as contained in the National Tourism Policy Act be carried out in all its aspects; that the United Sates Travel and Tourism Administration be encouraged to continue and expand its operations and be assured of its funding for a period of years necessary to its adequate planning and preparation.

FUNCTIONS OF THE USTTA

The full extent of the functions of the United States Travel and Tourism Administration is not always borne in mind. As we in the international travel trade see them, these functions are and their implementation already has been:

(1) The provision of a focal point for the travel industry in the promotion of travel to the United States. This is being capably carried out and is already putting the U.S. in a more advantageous position in the titanic world battle for tourists. A later section of this testimony will deal with the Cooperative Advertising Venture created by the USTTA. It was the opportunity confronting USTTA that led to the formation in 1983 of the International Marketing Plan Development Committee, composed of 31 of the marketing executives of leading companies of the travel industry. Their findings, published as "Competitiveness in the International Tourism Market", have helped to place and keep the industry in solid support of USTTA, something which would have been impossible without USTTA's leadership responsibility.

(2) The galvanization and coordination of the international tourism promotion efforts of the States, cities and regions of the U.S. Some of the tourism budgets of these entities exceed that of the U.S. and, in those of the States alone, amount to some $215 million. They need encouragement and guidance in soliciting foreign visitors, who on the average spend four times as much as domestic visitors. Carefully included in this responsibility has been technical assistance to the States, cities and regions, as well as to the smaller companies in the industry.

(3) The organization and leadership of Visit USA Committees in all the major overseas markets. Chaired by the USTTA Regional Directors, the Commercial Attaches of the U.S. Embassies or the U.S. Counsuls General in the country, these committees have been invaluable in coordinating marketing efforts. It would be difficult to form and maintain them without U.S. Government tourism leadership.

(4) An important and effective function is to set promotional themes in promoting travel to America. Done in consultation with the industry, the resulting themes, used by most of the travel companies, large and small, have a strong synergistic effect. For years, this has been done effectively by the European Travel Commission in the U.S. and USTTA has now performed this task around the world for American and other travel companies.

(5) International representation of the United States in tourism. There are a number of large international organizations which deal with tourism, such as WTO, OAS, OCED, ICAO. Without adequate, well-informed U.S. representation, decisions harmful to our interests have been and can be reached. The elevation of the U.S. representation to the Under Secretary level has been a strong safeguard against such happenings and for advantageous progress. Much worthwhile advance is being made in the removal of unjustifiable restrictions and impediments to travel. Tourism agreements have been negotiated with Mexico, Egypt, the Philippines, Yugoslavia and Morocco, as well as a memorandum of understanding with China, and that is only the beginning of a highly useful program, one beyond the reach of private enterprise.

(6) The leadership, under the Secretary of Commerce, of the Tourism Policy Council, which was also formed by the National Tourism Policy Act of 1981. This Council, representing DOC, OMB, ITA, DOE, DOS, DOI, DOL and DOT has met regularly and has done much to coordinate the travel responsibilities scattered throughout the Federal Government and to eliminate unnecessary impediments to the development of travel.

(7) Coordination of the tourism contributions to the President's Caribbean Basin Initiative. Tourism being this area's largest hope of prosperity, it was important to have an organization within the Government with expertise on how tourism could contribute. Similar opportunities will arise in other areas and it is valuable that USTTA has the expertise, the only expertise, in the Federal Government on the highly technical aspects of tourism.

(8) Leadership in combating terrorism. It is unfortunate, though to be expected, that terrorism would concentrate its anti-American activities largely on tourists. USTTA has provided crucial input to the Departments of State and Transportation on travel patterns and has coordinated the flow of information and instruction to the travel industry on traveler security. Only they have the ability to guide the Departments of the Administration in the ways of maximum safety protection and least damage to a vital section of the U.S. economy.

(9) Conducting travel research of a general nature. This important responsibility has been well fulfilled. Expensive Census Bureau statistical reports have been replaced by much more analytical quarterly in-flight surveys among airline passengers and these have been made available to the whole travel community at reasonable fees. This is only one example of reports and studies which would not have been produced by the industry itself. There are thus better statistics available to the Administration, the Congress, the industry and the public than before.

THE EFFECT OF THESE FUNCTIONS

Despite the deterrent of an over-priced dollar, the U.S. received 21,300,000 visitors in 1985, a 2% improvement over 1984, reversing a three-year negative trend, and enjoyed visitor travel receipts of $14,100,000,000. This represented the nation's largest tradeable services export in a year when the total international trading deficit was $150 billion.

The current projections for calendar 1986 are for 22 million visitors and $15 billion in visitor expenditures, including international fares, both increasing by 4% over 1985. This increase should represent 300,000 additional jobs in the economy and the tourist expenditures will generate $1.7 billion in federal, state and local taxes.

The target for the year 2000 is 37 million visitors and visitor expenditures of $30 billion, generating taxes of over $3 billion.

To these achievements for the economy of the United States must be added the political and cultural gains brought about by tourism, especially tourism development guided by an involved and well supported Government entity.

There are responsibilities assigned by the National Tourism Policy Act, such as "environmental protection and the judicious use of natural resources" which have yet to be undertaken.

WHY CANNOT THE INDUSTRY UNDERTAKE THESE FUNCTIONS?

The airline industry, for one, does not shirk its responsibility in any of these areas and, to the extent permitted, has previously carried the flag of the United States in many areas where our competitors could rely on their governments for this type of support. A glance, however, at subparagraphs (1) through (9) of the Section FUNCTIONS OF THE USTTA will demonstrate how difficult, inadequate and undesirable it would be for private enterprise to try to undertake those functions.

Airlines and hotel chains might attempt the broad backdrop selling of the United States of America to the world and will always meet their share of that responsibility. But they cannot be expected to perform that task in a way which adequately includes the small firms which make up the vast majority of companies which benefit from the touristic effort of the United States, nor to neglect the bitter competitive battles which increasingly they must wage within their own trades or their own survival against American and foreign competitors, the latter often generously supported by their own governments. We referred earlier to the titanic struggle for world tourists among the nations. There are 125 foreign government tourist offices in the United States; more cogently, when the USTTA goes abroad to search for United States visitors, it finds 68

other non-British tourist offices trying to entice Britons to their land, 52 such in West Germany and 48 in France. To deprive the American travel industry of its government support in those countries would be counterproductive to the industry and the U.S. economy.

COOPERATIVE ADVERTISING VENTURE

The effectiveness of the USTTA has been demonstrated both last year and this by its arranging cooperative advertising opportunities in the major overseas markets. This gives the various travel companies interested in the particular market, the opportunity to achieve a greater impact on expanded and more attentive audiences with increased credibility, better targeting because of better research, enjoying more effective coupon fulfillment services and together offering a more complete package of how to get there, where to stay, how to travel internally, where to eat, how to enjoy—all at less cost and with greater effect. A good example is currently operative in West Germany where a program, arranged by USTTA, will reach a 2,000,000 magazine and newspaper circulation for 6 American airlines, 13 American cities, 2 city visitor bureaus, 3 major hotel chains, 5 large tour operators, 3 car rental companies, Amtrak and Disney World.

FUNDING

In these deficit-conscious days, it is difficult to recommend additional expenditures on the part of Government. We must repeat, however, that what we are discussing is a matter not of expenditure, but of investment. If the United States, using the full capabilities of the USTTA, achieves the projected goal of $750 million in additional travel receipts in 1987, then that will mean added taxes of $85 million and, therefore, some additional funding of USTTA would seem highly justifiable.

This is especially true when one considers that our neighbor nation, Canada, will spend some $20 million this year to entice our citizens across the border and when one cannot forget that our country competitors around the world average $3.64 per capita to encapture tourists, while we spend 3.5¢

Senator PRESSLER. Thank you very much.

Now, Mr. Scott Lorenz, president, Mayflower Hotel, Plymouth, MI.

Mr. LORENZ. Thank you for allowing me to speak before your committee this morning regarding the continuation of the funding of the USTTA.

You have asked me to answer a number of questions with regard to this USTTA. In 1983 I had a personal experience with the USTTA, and it left me with a very positive image of the agency.

In September of 1982, the Mayflower began a promotional program designed to attract Canadian visitors to our hotel. We did this by offering Canadians par value for their currency. In other words, we did not discount the funds at the then rate of about 15 percent. This promotion was extremely successful in generating new Canadian tourism to our hotel.

Plymouth is located west of Detroit about 30 minutes, and the Canadian city of Windsor is right across the Detroit River. This vast market therefore is basically at our doorstep.

Because of the involvement of the Plymouth Chamber of Commerce and over 70 of the 120 shops in Plymouth who also honored Canadian money at par, the program was extremely successful. It attracted a good deal of publicity as well as dollars to our community. We enlisted the support of the USTTA office in Toronto. I spoke with Bill Tolson, a director of the Toronto office. He outlined a plan to further assist our promotion.

As you know, the USTTA works with public relations agencies. A Plymouth representative and myself visited Toronto to conduct a media blitz. The USTTA office set up appointments on our behalf with dozens of newspaper, radio, TV, magazines, so we could discuss our program firsthand with them. This generated a tremendous amount of PR for our city.

The main point I would like to make is this. Without the USTTA help, we could not have obtained this free publicity. The USTTA public relations agency opened the door for us, and paved the way so that when we arrived at the various appointments we were welcomed with open arms.

I do a lot of work in my hotel business with the press, and can certainly appreciate the fact that somebody has established credibility for us. There is no way that I as an individual business nor the city of Plymouth could have had the same impact that the USTTA had for a number of reasons. First of all, we did not have the media contacts. Secondly, we did not have the kind of time it would take to create those contacts, and quite frankly, we would not know exactly where to start.

Travel and tourism writers are not the easiest group of people to locate, much like your meeting planners that you were talking about earlier. Many are freelance writers, and as you know, a freelance writer is an individual who writes for a number of different publications and then sends them off hoping that someone will print it for compensation.

The USTTA had these connection, and then helped make the program successful.

I have attached a number of clippings that if you have an opportunity to look through them, this is just the tip of the iceberg. I couldn't get them all in the airplane, but we had a lot of publicity as a result of this.

The efforts of the USTTA helped to generate over $2 million in revenue for our community of 10,000 people, and I think you could say that that was successful. With regard to the question of the value of a national government travel and tourism agency as a catalyst to state, local, and private cooperative efforts, the USTTA makes obvious sense. The USTTA can be an umbrella organization that helps to coordinate our national marketing effort.

Just as I have my own marketing plan for our hotel, we also have a marketing plan for our community, the State of Michigan has a marketing plan, the Great Lakes region is developing a marketing plan to generate tourism, and accordingly the United States should have a marketing plan to promote its product, the 50 individual States, to the world.

Our country has an enormous potential for tourism, but you have got to let people know we exist in a tourism sense. I have traveled around Europe, and I believe we have just as much to offer, if not more, in this country to promote to our friends in Europe. We must get the word out, and the USTTA can and has been the catalyst.

Regarding the question of the need for such an agency to represent the U.S. interests abroad and to work with other countries to address mutual concerns, the most recent mutual concern that involves nearly all of the major tourist countries in the world is terrorism, and every one of us here today on this panel touched on that issue.

The USTTA is involved with helping develop an international policy on this problem, as well as others. Regarding the suggestion that State, local, and private organizations could deliver the services that the USTTA presently provides more effectively and efficiently, the USTTA sells and promotes the entire U.S. internationally, the entire United States.

There are no organizations to my knowledge on the national level that promote the entire United States to the world. Furthermore, the USTTA has the backing of the Federal Government, and this has impact when Bill Tolson's public relations agency picked up the telephone in Toronto and asked the various media representatives to meet with us. That had impact. We had a tremendous reception by all of the media. I know of no private organization that I could have tapped into without cost to our city or our hotel to do this on our behalf.

In summary, the $12 million budget that will fund the USTTA this fiscal year is a small amount of money when you consider that the State of Michigan, my State, spends $11.8 million to promote itself. The city of Los Vegas—now, we are talking about just the city of Los Vegas—spends over $7 million to promote itself, and that is just in advertising and newspapers and magazines and radio and this sort of thing.

The Detroit Convention Bureau budget is $3 million, and the State of Illinois spends $15 million. With the world population enjoying more leisure time and a higher standard of living than has ever been reached in the history of the world, it stands to reason that people will be spending more money on travel and tourism. This industry will be the number two industry in our country in a very short time. It employs seven million people around the country.

Travel and tourism ranks as the first, second, or third largest employer in over 41 States. Think about it. Tourism is the Number One employer in 13 States. When you think of the money spent to help manufacturing and other industries in this country, we should not be questioning the $12 million in funding to the USTTA. We should be talking about tens of millions of dollars.

Without a doubt, in my mind tourism is the next major industry for the United States, and I urge you to continue the funding of this very valuable organization.

Thank you very much.

[The following information was subsequently received for the record:]

QUESTIONS OF SENATOR PRESSLER AND THE ANSWERS

Question. Yours is an example of a smaller business benefiting from the assistance of the USTTA individually. How large is your operation? Had you ever tried to do the kinds of things the USTTA helped you with on your own? What was the result?

Answer. We are a 100 room family operated Bed 'n Breakfast hotel. Gross sales are in excess of $4 million dollars. We could not have done by ourselves the kinds of things the USTTA did on our behalf in Toronto. There press contacts could only have been offered by a public relations agency. We would not have been able to afford the services of a public relations agency.

Question. If the USTTA is eliminated, where would small businesses like yours go to get help in international marketing? Would your local or state government be able to help? Is there any kind of small business association which would be likely to raise funds to set up offices overseas or in Canada like those that the USTTA operates?

Answer. If the agency was eliminated we would probably start with our local Detroit Convention Bureau and the State Travel and Tourism bureau. Their effort, of course, is in most cases a national and local effort. However, they are branching out to the foreign visitor. I suppose an organization could be set up to raise funds to operate offices in Canada or overseas. However, it would not have the impact of the Federal Government.

Question. When the administration talks about eliminating the USTTA, it says that one reason is the agency uses the taxpayers dollars to benefit the select few, and that specific beneficiaries of tourism should be paying for those services, not the general public. How do you feel about this statement? Who does benefit from increased toursim.

Answer. As I said in my testimony, tourism is the first, second or third largest employer in 41 states. It is the largest employer in 13 states. Tourism is a big industry. To think that a paltry $12 million dollars is being spent to help "prime the pump" is incredible. The ripple effect through the economy of the effort of the USTTA is hard to measure. Because this is a service industry, new jobs are created with each foreign visitor. In fact, a new job is created for every 53 foreign visitors. It is in the best interest of the general public if there is full employment. This can be done if tourism is prospering.

Question. Can you quantify the increase in business by dollar amounts on our numbers of foreign visitors you have seen as a result of the international marketing assistance you have received from the USTTA?

Answer. Yes. We estimate over $2 million dollars in Canadian funds were spent in Plymouth as a result of our Canadian par value promotion. A good percentage of the people were influenced by the overall promotional efforts of the USTTA. Approximately 45,000 visitors came to Plymouth, and are still coming for that matter, as a result of their assistance.

Senator PRESSLER. So here we are again, so to speak, the administration wishing to close the office of the USTTA and some of us in Congress going against the administration, and indeed we have found this to be the pattern in the last few years.

Also, you all appear before us as people, as citizens who are aware of the budgetary deficit, and the President says the deficit is caused in part by Congress restoring funds where he would like to cut, and the burden falls upon people such as me to carry the load and to fight the President of my own party on that front.

What have each of you done in terms of contacting the President and the administration? Have you written letters? Have you made your views known? The OMB is for closing USTTA. We heard Mrs. Tuttle's testimony that he is for closing it. And indeed, we will carry the burden of opposing the phasing out of the USTTA here, but we will also note that the $12 million we get is very little.

I would like it to be $40 or $50 million based on what I think we could get in return. But are people out there, in addition to contacting Congress, are you talking action directly to let the White House know how strongly you feel?

Mr. LORENZ. Well, the National Tour Association, of which I am a member, has urged its membership to contact Congress and the White House regarding this issue, and I certainly have a file that is quite thick of letters to the appropriate individuals regarding this, because I think it is important.

Senator PRESSLER. I think it is very important that you let the administration know of your strong feelings, and the White House. Does anybody else have any comments?

Mr. WILLIS. In conjunction with that very same question, the Baltimore Attractions Association, through both MTA, TIA, and ABA, the American Bus Association, Travel Industry Association, and National Tour Association, we have contacted the constituency of the Baltimore Attractions Association and do that very same thing, not only write their own delegates, but to write the White House as well.

Senator PRESSLER. I always make the point that we have a net gain in receipts and tax revenue. Let me ask some general questions. This week's newspapers have been full of articles telling us that the United States will have a banner year with regard to incoming foreign tourists. Some of the reasons cited include favorable currency exchange rates and concerns about terrorism overseas.

Critics may say that this proves that we do not need a national travel and tourism office. How would you respond to such a statement?

Mr. MCMAHON. Senator, I think we can speak very strongly from Virginia's standpoint. We do expect to see an increase in our international visitors to Virginia, but that is only happening because USTTA has given the leadership and the support to us to be able to go over and promote Virginia along with many other States as a destination. Without that assistance, and without the push that they have given us, we would not be seeing the increased international visitors.

Mr. WILLIS. If I may, in addition to that, I think the USTTA has offered a great deal of focus. As it has been said, the first-time visitor coming over to the U.S. has a tendency to want to put on the mouse ears or to stand beside to see if someone really will go over the falls in a barrel, but the second-time visitor is more prone to focus has attention to see the specifics of the United States, and by our directly working with the USTTA offices on specific projects, we are able to focus the attention of the international tourists to our own areas, something that would be virtually impossible for us to do individually.

Senator PRESSLER. When the administration talks about eliminating the USTTA, it says that one reason is that the agency uses the taxpayer's dollar to benefit a select few and that the specific beneficiaries of tourism should be paying for those services and not the general public. How do you feel about this statement?

Mr. McMAHON. Well, from a State standpoint, when you look at the rollover of that dollar as it is spent, it ends up affecting almost every taxpayer when the money is generated.

The visitor comes into the States and spends it in the attractions, the hotels, the restaurants, buying fuel. That in turn generates all types of wholesale operations. It causes money to run in our banks, our insurance companies, and it just goes through the whole economic system, and so I think any time that we are accomplishing that kind of economic impact, it is good for the United States and for the taxpayer.

Mr. MONTGOMERY. Representing a company, Mr. Chairman, that spends about five times the amount that we are talking about here in advertising and promotion, at least half of it in trying to bring people to the United States, we, of course, will continue to spend as much as we can afford in that whole area. The problem that we are really discussing here today is the problem of what I called in my testimony the titanic struggle which goes on in the world for world tourists. It is a worldwide business of $100 billion worth, and there are 125 governments active in this country to try to get Americans to go to their countries, and when USTTA goes into the UK, there are 68 other non-British government agencies trying to get Britons to go to their country, and it is impossible for us in Pan Am or any of us in the travel business to compete with that kind of broad backdrop advertising which the USTTA has been helping us do in the last few years.

Senator PRESSLER. Mr. Willis, has the increase in foreign arrivals at BWI been partly due to your increased international promotion activity?

Mr. WILLIS. We feel there is no question about that. We have been able to direct our attention because of the prime focus of the international direct service being both in Frankfurt and London, and with USTTA offices both in Frankfurt and London, working very closely with Vito Passamente and its office in London, and Peter Bowen and his folks in Frankfurt, there is no question in my mind whatsoever both in our marketplaces abroad and the fact that we have been able to bring in businessmen, and not just tourism folks, but businessmen as well for planning meetings from both of those countries, the travel writers from both of those countries. We have had significant increases from those countries specifically, and we feel those tie-in projects were very, very important.

Senator PRESSLER. Mr. Montgomery, what kinds of projects has your airline participated in with the help of the USTTA?

Mr. MONTGOMERY. We are participating in all of the major markets except Canada, where we have no routes. Around the world in the cooperative advertising ventures we are in fairly constant consultation with the regional directors overseas and with the headquarters office here in Washington. I can hardly think of a week that goes by without some discussion between us on something to do to help the total industry.

Senator PRESSLER. Mr. Lorenz, I think your testimony is a good example of how the USTTA helps small businesses, and I think that is a very important thing.

I do have additional questions for each member of the panel which I will submit in writing.

I think we have covered many of the main points. I do want to thank you for your assitance, and let me say that I do hope that the industry contacts not only Members of Congress but the administration on this frustrating thing we go through every year to get merely $12 million, because I would like to see it be more. I know that is hard to say in a time of budgetary deficits, but we really should be talking about a much more substantial effort which I think would yield more direct income as well as tax revenues.

Of course this hearing is part of the budget cycle, as those who understand it, in the authorization and appropriations and budgetary process. We go through it every year. This is my 12th year in Congress, and it is always a struggle, but that is the way our system works. I do want to thank you very much for your assistance, and your answers will be very useful as we go forward in building a record in support of continuation of the USTTA.

Thank you very much.

Next, I shall call forward some friends whom I met yesterday, David Gilroy Bevan, Member of Parliament, Chairman of the Conservative Backbench Tourism Committee; and also Roger Gale, Member of Parliament, Secretary of the Conservative Backbench Tourism Committee, House of Commons; Joseph Hallissey, Jr., chairman, American Society of Travel Agents; and William D. Toohey, president, Travel Industry Association of America. Would they please come forward and find seats?

Let me say that it is unusual to have members of a foreign government's Parliament testifying.But, drawing on the good advice of the distinguished comparative legal scholar, professor John Wolff—as we have done in the area of products liability and other Committee issues—we felt it would be very useful to learn how some of our friends deal with this issue. We have found that other countries of the world take the business of travel and tourism promotion much more seriously than we in the United States. They recognize the tourism industry as a powerful economic force which needs to be recognized and encouraged through strong rational policies. Here we tend to write it off a fluff industry, assuming that it does not warrant the kind of attention it receives in other parts of the world. We willl learn more about this later, but I might say that we had an excellent opportunity to discuss these issues in detail yesterday with all eight visiting Members of Parliament. We had a very nice lunch yesterday.

Let me also say that Great Britain was the only country in the world, or in Europe at least, who stepped forward during the Libyan event. Our planes left from there. Mrs. Thatcher was terrific, unlike some of our friends in France who wouldn't allow us to overfly I do not want to get the war going again, but in any event, I think it was great that Great Britain reacted so well.

I shall call on you each in the order of listing here. Let me say that we normally limit our statements to 5 to 10 minutes before this committee, and put our statement in for the record, but we look forward to learning from you, so at this point I would call on David Gilroy Bevan, Member of Parliament, for his statement.

STATEMENTS OF DAVID GILROY BEVAN, MEMBER OF PARLIAMENT, CHAIRMAN, CONSERVATIVE BACKBENCH TOURISM COMMITTEE, HOUSE OF COMMONS; ROGER GALE, MEMBER OF PARLIAMENT, SECRETARY; JOSEPH HALLISSEY, JR., CHAIRMAN, AMERICAN SOCIETY OF TRAVEL AGENTS; AND WILLIAM D. TOOHEY, PRESIDENT, TRAVEL INDUSTRY ASSOCIATION OF AMERICA

Mr. BEVAN. Thank you, indeed, Senator Pressler.

It is a great honor and privilege to attend before your committee. I would not dream of trying to advise you regarding domestic policy, but I would sit here and be very happy to continue that cooperation which you have referred to and which was exemplified by my country's backing of your country's initiative against terrorism, and hopefully to also refer to that in terms of travel and tourism, which, of course, connects our countries both historically and contemporaneously.

It would indeed, I think, be a regrettable justification of the blackmail of a terrorist threat, and I make the distinction between terrorism and tourism very carefully, and I note the error of your newspaper headlines, that the tidal flow of terrorism was continuing, because I feel that to be totally incorrect. I make that distinction carefully, and would note that in my view and those of my colleagues who are equally pleased to be here, terrorism would be succeeding, and the blackmail of that terrorism would be succeeding if indeed it truncated or brought to an end the natural interflow of our peoples between our two countries as well as within those countries.

And I and some of my colleagues will be going on from this committee here to indeed inspect the most excellent urban regeneration which has been initiated, for instance, and referred to by the last speaker at the Baltimore Inner Harbor development this afternoon. Some of us will continue and go, for instance, to Detroit and to Pittsburgh and to Cincinnati and to South Carolina, and indeed to Florida, so that we shall have an opportunity of discussing with colleagues and with your citizens in those places and enjoying the visual amenities which exist for the tourist.

Might I say this, sir? I would not, of course, advise you regarding domestic policy, but we similarly have an organization in Britain which we find essential in representing our views and our tourist capabilities overseas. That is called the British Tourist Authority. It is one which we would find incomprehensible of cessation. We would not be able, we believe, to manage without it, and one of our Select Committee investigations at home in the House of Commons which has recently—the Trade and Industry Committee investigation this and came out with a recommendation that its life should be ended, has indeed found the life

of its report expectancy similarly ended because it has found no favor in any quarter.

We in our country spend some total of 28 million pounds in terms of both government subsidy and private sector contribution into the operations of the British Tourist Authority, which I am sure you and your committee are well aware of in this country. Without those activities, we find that, for instance, the attraction to our country of some three million Americans or more now annually would be in jeopardy.

We have found that in our industry some of the replenishment has been made for the deterioration which has occurred in our industrial sector. In other words, we find that of foreign currency, tourism is now the main contributor. We find that it is now the second largest industry. We find that it is producing up to 100,000 new jobs per year when virtually every other commerical and industrial sector is reducing its jobs.

My own committee's role is to discuss with our ministers and our government the patterns which we would like to see implemented to continue that excellent flow, intercountry flow of both newcomers to our country and returning visitors and our citizens to your country and abroad. We find that we would recommend that any reduction in the necessary funds both to develop your own internal tourism and to retain your share into our country would be regrettable, and should be avoided.

I would, if I may be allowed to say so, additionally say this. Not only would terrorism be served by responding sometimes to the overgreat hysteria of the media who might be whipping up situations that do not exist, in exaggerating the kind of forum which they occupy, they, the terrorists occupy, but it would be a regrettable cessation of normality of travel. The existence of tourism is for the citizens. The birth of a new right, the right to move about both internally and between nations, that is a system which both your administration and our government has been very happy to contribute to.

We have found that we raise privately more money from the trade than any other tourist organization, and therefore this is a combination of public and private enterprise in a totally new form of structure which is both European or all European and British and American in its concept. We are not in the terms of the BTA. The BTA are not a government department, but they are an agency of government, what we call a quango, a quasi-autonomous organization, self-perpetuating government organization, but one that we have found to be essential.

Therefore, I would hope that with the growth of level internationally and in the worldwide sector, that any organizations continue to enjoy a position of support. I would mention with regard to the flows, if I may, of our own country, and it has been my great pleasure in receiving many of your citizens into Britain and those of my colleagues, pleasure to receive you and to show you around, and might I point out one or two things?

First of all, the ease of dispersal from London and from England into any other sector, the ease of travel. We were so happy to travel here on Concorde in just over 3 hours, and we now find indeed that it is a

shrinking world. But dispersal can take place so very easily from my own country to any European sector, and while I would not join in any situation of stay at home, please, during the next few months, because I realize that though there are fears, nevertheless there is a situation of normality existing.

My country is not full of terrorists. It is not full of explosive devices, and it is not coincidental that the most immediate response which the terrorists made yesterday at Heathrow was uncovered before it could even be transported into the airplane, and the carrier was apprehended. It was a very small episode, but we do, while realizing that terrorism can succeed, and that overt threats may well preach the greatest of defenses, we would say that our airports in Britain, and I say this as a member of the Select Committee examining airport security, are the safest in the world.

The second thing I would say is, if there has to be avoidance of your tourists going overseas, maybe that avoidance should occur in some of the Mediterranean sectors and through maybe some airports which I will not name today which might be notorious in serving those sectors and which may supply any of the threat. Certainly my own country would not be one of them.

I would also say this. The valuable interchange of information, of organizational arrangements, of the brotherhood of travelers, of the news of tourism is essential to maintain between our great nations, and without that cooperation and without that continuing pattern, we would be unable to do so.

It is because of that reason that I and my colleagues are here, and it is because of that reason that we would encourage our people to join in your great crusade to increase your own international share of the sector of tourism.

I hope, Mr. Chairman, I have not abused the invitation you made to me or occupied this seat, the time waves of either, for too long a period.

Senator PRESSLER. You certainly have not. You have done a very good job. I will next call on Mr. Roger Gale, a Member of Parliament and Secretary of the Conservative Backbench Tourism Committee.

Mr. GALE. Senator, may I add to David Gilroy Bevans my thanks for the privilege and the opportunity of giving just a little evidence to your committee? I have no prepared statement. We have felt it better that we should try as far as possible to respond to the interest that you have and the questions that you wish to put to us.

The tourist industry in the United Kingdom is, as David has said, enormous and growing, worth a very large number of jobs, 70,000 new jobs to us last year, a projected 50,000 new jobs to us this year, and on a continuing basis, so we value it very highly.

Because of that, we perhaps pay a tremendous amount of attention and respect to the work done by the British Tourist Authority in promoting incoming tourism. As David has said, that is a body that is largely funded by the government, although a very considerable amount of the money that goes into the promotion of the industry also comes

from the private sector, and it will not surprise you to know that as conservatives, we believe and would like to see that private funding increased.

Nevertheless, the pump priming done by the authority is absolutely invaluable, and I would personally regard it as quite extraordinary if any country that was expressing a serious interest in tourism were to withdraw funding from that kind of organization, and I speak in our own national situation, of course, but you can relate that to your own if you wish to do so.

It may seem to you strange, sir, that a group of English Members of Parliament should come here and express an interest in encouraging British travelers to come to the United States, but as your minister for tourism, Mrs. Tuttle, said earlier this morning, tourism is a two-way business, and we happen to believe that by encouraging visitors from England to the United States, not only will they have a good time, and enjoying your hospitality, but also we shall be sending you the best ambassadors that we have to encourage yet more Americans to come from the United States back to the United Kingdom.

So we believe that it is in our interest as well as in yours that we should maintain that two-way flow of travel.

Now, in that context, and this is a purely personal observation, and I am now not speaking on behalf of my government, but part of the—a major part of the very considerable respect that I have for the people in the government of the United States is based upon a shared belief in the right of people to freedom of movement and to freedom of speech.

And I have to say that I would think the worse of a nation that gave up that right, our freedom of movement and freedom of speech, as a result of international blackmail. Happily, I do not believe that that is likely to be the case. As a former television and radio producer, I am perhaps as aware if not more than most of the power of the media to create impressions, not always correct impressions.

I was sad to read a report of one of your syndicated columnists recently saying, and I quote, "Stay away from Europe until our sometimes spineless allies show more spine." But I do not believe that that view is a typical one, and perhaps more happily I was pleased to read Jackie Peterson, the Sacramento travel editor, who said, "If you change your plans out of fear of these lunatics, you are allowing them to hold you hostage just as surely as though they were pointing a gun at your head."

Peterson went on to say, "I am proud to display my U.S. passport. I am determined to travel where I choose and when I choose, and I will take my chances playing the odds all the way. After all, they are millions to one in my favor."

You will recall, sir, that a few years ago the terrorists planted a bomb on Capitol Hill, and I do not recall the Capitol being shut as a result of that, and we believe that the United Kingdom is still very much in the business of business as usual, and I would like to think and I am confident that the American people will view the situation in the same light.

[The statement follows:]

STATEMENT OF DAVID GILROY BEVAN AND ROGER GALE, MEMBERS OF PARLIAMENT

The BTA was established under the Development of Tourism Act 1969, and is the Government's chosen Instrument for promoting tourism to Britain from overseas.

Its other responsibilities are to advise Government on tourism matters affecting Britain as a whole and to encourage the provision and improvement of tourist amenities and facilities in Britain.

It is a statutory body (ie. set up by Government statute), and is not a Government department?

It is essentially a marketinq co-operative workinq closely with the trade who contribute siqnificantly to its total budget through joint promotion schemes.

In 1985–86 Government Grant-in-Aid amounted to £16.96 million. Other income from joint promotion activities with the trade and sale of publications amounted to £11.33 million, making a total figure of £28.29 million.

As a "quango" the arrangement works well because we are essentially a marketing co-operative. We also raise more money from the trade than any other National Tourist Organization.

Government funding is fundamental to the operation of the organization. If, as has been suggested in the States, the trade should fund the total budget of the State Tourist Organisation, there would be the need for a large subscription staff to generate and produce sufficient income to promote effectively overseas.

There would be the added disadvantage that, to raise the money, thousands of members, down to the smallest boarding house, would be needed. They, in turn, could put heavy demand on the executive for promoting their own particular organization, making the job of promotion that more difficult.

A similar situation would arise in the States if Central Government funding was withdrawn. Every country in the world now receives Government funding for its State Tourist Organization. The U.S., which surely has probably the most diverse tourist product on offer in the world, would be the only major country without a State Tourist Organization, unless efforts were made to set up an organization solely funded from the Tourist Trades contributions. In any case, it would need official recognition by the Federal Government, otherwise its job overseas would be that more difficult.

The Vienna Convention allows for tourist literature to be imported free of tax and duties provided no more than 25% of the content is in the form of advertising.

For the most part, tourism operates as a free trade sector in the world economy, but there are irritating anomalies in the field of facilitation. The USA still requires a visa for tourist visits. The UK has not required a visa from Americans for many years. We understand that Washington is considering abolishing visas for British and German visitors but it would be helpful if the matter could be raised again.

There is also the increasing spread of departure taxes. The US tax is $3 and our main concern is that Governments, once the tax has been introduced, find it a useful source of revenue and increase it. The Norwegians, for example, have just increased their departure tax for passengers on charters to £20. This makes the marketing of short trips from Norway to Britain that more difficult.

The OECD has recently updated its Decision-Recommendation on International Tourism Policy. Its aim is to recommend Governments to be more liberal in facilitation and customs matters.

The UK, as a member of the EEC, has to conform with the decisions of all member states. As a result of this, the allowance for "other goods" imported by travellers free of duty has been reduced to 35 units of account (about $35).

Where international organizations such as OECD draw up recommendations it is unhelpful, to say the least, if the recommendations are more onerous than was previously the case.

Tourism is one of the largest growing sectors of the world economy and could well be the largest single sector by the year 2000. Much depends on the cost of transport allied to the price of oil.

In the UK it represents about 4% of total exports (visible and invisible) and about 25% of all exports of British services.

The international organisation representing tourism throughout the world is the World Tourist Organisation, set up in 1975, with headquarters in Madrid. Britain is not a member, in common with Ireland, Luxembourg, Denmark, Norway and Sweden.

Because it is an Inter-Governmental body, the UK representation would be from the FCO. The organization has been heavily slanted in favor of developing countries and both the FCO, Department of Employment and the BTA agree that it would not be worth the subscription—about $150,000 per annum—whilst countries representing over 80% of world tourism have only a minority say in decisions.

As well as the World Tourism Organization there are three other bodies working in the tourist field:

A. OECD

B. European Travel Commission

C. Working Group of National Tourist Organizations in the EEC.

A. OECD

The Department of Employment represents the UK on its Tourism Committee which meets twice a year. It is accompanied by a BTA official who acts in an advisory capacity.

The USA are very active members of this committee, through which it often raises the problem of terrorism. The OECD annually issues a report on tourism with OECD member countries (representing over 80% of world tourist flows).

B. ETC

The BTA is a member of the European Travel Commission representing the 23 Western European Tourist Organizations. It has an annual budget of about $1 million and undertakes joint promotions in the U.S., Canada and Japan with its "Come to Europe" campaign.

C. EEC

The BTA acts as Secretariat for this group which meets once a year to discuss tourist matters within EEC member countries, in particular proposed directives which could affect tourist flows.

Tourist statistics are produced by the Office of Population Census and Surveys (OPCS) and are probably the most accurate and comprehensive tourist statistics in the world.

Surveys in the domestic market are undertaken by the BTA (British Travel Survey).

BTA uses the agency Ogilvy and Mather as its advertising agency throughout the world. They work closely with the BTA marketing division in producing campaigns throughout world markets.

The sponsoring Government department was moved from the Department of Trade and Industry to the Department of Employment in 1985. This acknowledges the importance of tourism as a generator of jobs. Service industries are labor intensive so that more tourists mean more jobs.

A study recently undertaken for the BTA estimates that 70,000 additional jobs were created in Britain in 1985 through the tourist trades.

It is also estimated, that, given a growth in spending on tourism (both overseas and domestic) of 4% per annum in real terms, 50,000 additional jobs can be created per annum.

Terrorism is a matter which the US delegation raised at the February OECD meeting. Many delegates did not wish to discuss the subject (particularly the Austrians) as they felt the more publicity given to this subject the more damaging the effect on tourism.

Unquestionably it does have an effect, but the indications are that it is affecting the UK less than other European countries, particularly the Mediterranean ones. It would be regrettable if the Americans were actively discouraged to travel to Europe. No doubt some of the discouragements arise from the fact that the US has a severe balance of payments problem. Anything that discourages their citizens to travel abroad helps the balance of payments, but we have always stressed the importance of free trade in tourism and any help on this matter would be most welcome.

Last month the BTA invited representatives from the US trade to visit Britain for a reassurance campaign. This suggested that tour operators have few fears about sending their clients to Britain.

Senator PRESSLER. Thank you. We are lucky to have such allies as you.

Now, Joseph Hallissey, Jr., chairman, American Society of Travel Agents.

Mr. HALLISSEY. Thank you, Mr. Chairman. If I may be allowed, I will run through this quickly, and it will be there for the record.

First of all, obviously, we are very honored to ask to be involved in the program today and to address you and the concerns of the Amercan Society of Travel Agents regarding obviously the reauthorization of the funds for the United States Travel and Tourism Administration.

ASTA is the largest professional trade association in the world of travel, with 23,000 members in 128 countries around the world, I am proudly to say also in your country. ASTA has always been a very firm supporter and believer in the important role that USTTA plays, and it is clear for us in order for USTTA to continue to be a viable organization, it must have sufficient funding.

Surely the committee must realize the important role that the travel and tourism industry plays in our economy, because we are on the cutting edge of reducing the national deficit, improving export earnings to help correct the current trade deficit, generating jobs throughout the United States, and I might say, Mr. Chairman, that for every 59 visitors who come to our country, it creates a new job here in the United States, and then fourthly, restoring the competitive position of the United States in the international marketplace.

As a previous speaker from my own State of Michigan said, "travel and tourism is the first, second, or third largest employer in 41 of our States and the second largest private employer in our country, with 4.9 million jobs, many of which, one out of 18, are entry level positions, which is very important to the job opportunities in our country."

Travel and tourism account for over $240 billion in annual revenues and making it the third largest service industry in the United States. Thirty of our 50 States earn more than $50 million from the sales of tourism services to foreign visitors, all the way up to two of our States earning over $2.5 billion, with a national total of nearly $15 billion in travel and tourism exports.

Foreign visitors spend more per person here in the United States visiting than our own citizens spend visiting within our own country, and our visitors from overseas usually spend more time in their holiday here than many of our local residents do. Rather than elaborate on these points, ASTA has been asked to specifically address a number of issues.

First of all, the objectives of the newly formed Traveler Security Policy Council that Ms. Tuttle spoke of earlier. Secondly, the value of a national government travel and tourism agency as a catalyst to State, local, and private cooperative marketing efforts. Thirdly, the need for such an agency to represent the United States interests abroad and to work with countries to address mutual concerns, and then fourth our view to the suggestion that State, local, and private organizations could deliver these services or other services now provided by the USTTA effectively and efficiently.

Mr. Chairman, terrorism is a vicious brand of political pressure that is being practiced by human beings against other human beings. Solutions we feel are possible and are attainable, and we believe that the members of the travel industry are in a position to cooperate with private and the public sector interest groups in working towards these goals, and in January in a speech to an American travel industry grouping the Under Secretary, Ms. Tuttle, called on foreign leaders to take a strong stand on terrorism. She warned then that the lack of support for sanctions against terrorism would mean that fewer Americans would be willing to travel abroad.

ASTA is a recognized leader in the development of travel and tourism, and we continue to work towards breaking down any barriers to the basic human right of all people to travel. One important step has already been taken. ASTA has been instrumental in spearheading the formation of an industrywide council to address the question of traveler security. We call the council the Traveler Security Policy Council, and as ASTA's chairman, I invited several key industry officials to serve on the council.

I will not list them all, but let me tell you about some of the organization representation on this particular council. Jim Gaffigan, who is the executive director of Travel and Tourism Government Affairs Council here in this city, Ken Hine, who is the executive vice president of the American Hotel and Motel Association, Ronald Zeller, who is president of the Cruise Line International Association, Donald McSullivan, who is president of the European Travel Commission, two travel agents, one from Athens, who is a former ASTA International chief officer, and the present ASTA chief officer internationally is from Manila in the Philippines.

Gabriel Phillips, who is the executive vice president of the Air Transport Association, is a member of the council, along with Ray Shockley, who is the president of ASTA and is chief operating officer. Additionally, Bob Whitely, who is the vice president of the United States Tour Operators Association, completes the membership of this particular council.

At its first meeting, the council developed the following four courses of action for the industry, the development of an industry policy paper which will expand upon the position supporting the freedom of travel, and that policy paper, sir, is attached, and I will not read it in detail, but it is attached for the record.

Secondly, the establishment of an information clearinghouse to coordinate the collection and dissemination of information regarding travel security, and a pamphlet is now being prepared that will be available to travel agents across the country to distribute to their clients to better prepare them to understand what is going on in our world of travel.

And thirdly, to establish lines of communication between government agencies, the various elements of the travel trade, concerned representatives from the private sector, and the press.

And lastly, the development of a pro-active communications program for the industry and its consumers through the pamphlets and other materials. The council's findings and recommendations will be brought to the attention of Congress, the appropriate agencies in the United States government, the United Nations, and its member governments throughout the world for adoption and implementation.

Mr. Chairman, I think it is imperative to point out at this time that the role of the United States government is critical, emphasizing critical, in this very sensitive issue of terrorism. USTTA, the agency of which we speak today, is the only department within the Federal Government whose main purpose is to represent the concerns of the United States travel and tourism industry, and to promote travel to the United States.

We feel it is critical to have an agency within the Federal Government that has these unique powers, because the private sector, although it can assist in the programs designed within the country, that it is always going to be limited by the specific concerns of the countries, the States, or the cities involved.

The cooperative advertising program that has been discussed today, that has been developed by the USTTA, is one way that has proven effective in bringing foreign travelers to this country, and it is a program that should be and must be continued. USTTA's new cooperative program packages participants which provide complementary services or facilities which are located in a particular national region and targeting them to specific European or specific markets.

To date it is estimated that this effort has returned $10 for every dollar invested by the USTTA. However, the results of the program are still being evaluated. Last year, USTTA contributed $500,000 to their German cooperative advertising program. The seed money was augmented by $2.5 million from 44 companies, States, cities throughout America, and so far the campaign has generated 40,000 coupons requesting information about travel to the United States.

These requests are answered regularly by USTTA. Statistics compiled by our government through USTTA's in-flight program indicated that the average German spends $1,150 per trip to the United States. It is anticipated because of this cooperative advertising program that 10,000 Germans will be visiting the United States under this program. That alone would result in their spending some $11,500,000 in this country.

I can think of no other agency within our government who can show such a return on the taxpayer's dollar. USTTA's office in Canada is operating a similar advertising program as that in Germany. It is going on with other countries as well with private seed money contributed by USTTA. Fifty-six thousand dollars is being contributed by the USTTA in the Canada program, 77 private sector companies have added another $250,000, so it is seed money that we are looking at, which is very beneficial to the country as a whole because of the number of tourists to the U.S. that these joint promotional programs generate.

USTTA is uniquely qualified to coordinate promotional and educational programs for foreign travel writers, and USTTA presently has several programs in place in which foreign travel writers are taken to

several regions within our country. They in turn write about these regions in their native countries, which assures that particular region exposure to their readership worldwide.

Many States simply do not have sufficient funds for this extensive tourism promotional program abroad, nor did they have the unique knowledge or the wherewithal to select and bring foreign travel writers to our country and to their particular States or regions within our country. We do not feel that the individual States can accomplish this as effectively as USTTA is doing, and we hope will continue to do in a greater number of instances in the future.

Since all the major industrial countries in the world are constantly attempting to create programs and advertising campaigns which will entice individuals to visit their country, the United States must involve itself in such activities equally as well as they, or we will continue to lose our market share in generating travelers to visit the United States.

ASTA therefore, for the reasons mentioned in this testimony, and for many, many more, strongly opposes the Office of Management and Budget and the administration's proposal to close down the United States Travel and Tourism Administration.

Thank you.

[The following information was subsequently received for the record:]

QUESTIONS OF SENATOR PRESSLER AND THE ANSWERS

Question. Has the USTTA proven to be an effective liaison between the travel and tourism industry and the U.S. Departments of State and Transportation?

Answer. The USTTA has been invaluable in assisting the travel industry to address the issue of travelers safety. This issue has required us to develop communication linkages which have heretofore been informal, at best. USTTA's role in chairing the Tourism Policy Council, comprised of officials from the Departments of State and Transportation and other agencies, allows them to act as the catalyst for bringing government together with private industry. In fact, our Travelers Security Policy Council is scheduled to meet with the Tourism Policy Council on May 15 to coordinate our efforts.

Question. Hasn't the USTTA played a key role in working with the travel and tourism industries of other nations to address concerns related to the real and perceived threat of terrorism as well? How essential was USTTA's assistance? Could private industry have had a similar impact on its own? Would any other government agency have the expertise required to address the concerns of the industry in this area?

Answer. We do feel that USTTA has played a key role in working with the travel and tourism industries of other nations to address concerns related to the real and perceived threats of terrorism. USTTA is able to speak with the force of the U.S. Government, an ability which should not be overlooked. Many countries, of course, do not have as developed a private industry as the U.S., and government involvement is crucial. Such involvement removes any question of private industries acting in their own self-interest. Furthermore, USTTA's involvement provides a convincing argument that the U.S. government recognizes tourism and travel as important components of the economy.

Question. In your opinion, how essential is it for the United States to have a spokesperson for the Administration at the level of United Secretary for Travel and Tourism? What does the U.S. stand to lose if it phases out the USTTA and that position?

Answer. It is the opinion of ASTA's Board of Directors that it is essential to have an Under Secretary of Travel and Tourism position in our government which is knowledgeable and can express the concerns of the travel and tourism industry. Quite frankly, most countries designate an even higher title to the individual in charge of tourism since it is the #1 or #2 industry in most of the industrialized countries of the world. It is the #2 industry in the United States and for that reason alone it is more than deserving of a position at the highest level in our government.

Furthermore, ASTA feels that if the United States is to retain our share of the world travel and tourism market, we must have U.S. representation at the highest level in international government tourism organizations such as the World Tourism Organization (WTO).

Also, ASTA feels that if we had an effective person heading USTTA at the time President Carter threatened to shut down the gas stations on weekends because of the gas shortage, such a plan would never have gone forward or received the serious consideration it did. We in the travel and tourism industry feel it is vital to have a department within our government that has sufficient clout and respect within any government administration to insure that disastrous decisions of this nature are not made. Clearly, it is the United States economy and the traveling public that is the loser had the gas stations been closed on the weekends.

ASTA feels as indicated in our testimony, that USTTA also plays a vital catalyst role in developing programs which encourage foreign travelers to come to America, such as, the cooperative advertising programs it has underway with Germany and Canada. Most important are the USTTA programs that bring foreign travel writers and agents to this country to show them what America has to offer as a tourism destination. USTTA is uniquely qualified for this very important role. It must be continued and hopefully enlarged.

Senator PRESSLER. Thank you very much, and we thank you as well as Mr. Toohey for your service on our advisory council. Now we call on another one of our real champions and friends, Mr. Toohey, after which we will have questions for everyone.

Mr. TOOHEY. Thank you, Mr. Chairman, and good morning.

Let me begin by expressing my appreciation to you as Chairman of this very important subcommittee, for your understanding and support of the tourism industry, and your clear recognition of how it benefits the national interest of the United States.

It is a special pleasure to participate in the hearing this morning with these distinguished Members of the British Parliament who are so active in support of and promotion of tourism in their own country.

I testify this morning, Mr. Chairman, as president of the Travel Industry Association of America and as vice chairman of the Travel and Tourism Government Affairs Council. The council is in total support, I am certain, of the testimony that has been presented here this morning in support of the continuance of the USTTA and what it accomplishes on behalf of this country.

I will attempt to limit my comments this morning to the specific questions that you presented in your letter of invitation to testify. When President Reagan took office in 1981, he urged an expanded public-private initiative to strengthen the national economy. The travel industry took this recommendation very seriously, and has since that time worked in partnership with the USTTA, both in large and small-scale efforts.

This agency has been the essential catalyst in all of these efforts, to the considerable benefit of regional, State, local, and private organizations, as well as the nation as a whole. The agency is providing the coordinating focus for cooperative marketing efforts in a number of countries, making it possible for regional, State, and local entities to deliver their sales messages to potential travelers at a cost they are able to afford.

The agency coordinates 40 to 50 regional, State, and local travel marketing missions to other countries annually, and does so in a manner that makes these missions much more efficient and much more productive. The USTTA each year facilitates inspection trips for over 1,000 foreign journalists to destinations here in the United States that could not otherwise afford to pay for the media exposure that these trips generate.

This partnership approach makes much more focused and far more effective the expenditures by regional, State, local, and private sector entities for promotion of international travel to this country. Mr. Chairman, as you know, USTTA has become increasingly more active in representing the U.S. travel and tourism interests before international and intergovernmental meetings, including the World Tourism Organization and a number of bilateral negotiations on facilitation and development of tourism.

These activities, together with such things as providing technical assistance in connection with the President's Caribbean Basin Initiative, and working with the State Department on counterterrorism policy formation, are important to our national interests. The highly specialized expertise that USTTA brings to these activities is simply not available anywhere else in the Federal Government. The critical catalytic role served by USTTA in international tourism cannot be replaced by any non-governmental entity. Some services now provided by USTTA possibly could be delivered by other non-Federal entities, but not without reduced effectiveness and likely at considerably greater cost.

The Travel Industry Association's International Marketing Plan Development Committee traveled to seven countries in early 1984 to discuss with tourism leaders in other nations the role of USTTA as a national government tourist office in the development of tourism to the United States.

This committee of senior marketing executives returned from these trips convinced that no viable alternative to our national tourist office exists if we want to be competitive in international tourism trade. The current cooperative effort that USTTA has initiated in West Germany, recommended in the industry's marketing plan, involves participation by States, cities, and private sector under the essential leadership of USTTA.

Because of these efforts alone, an additional 10,000 West German travelers are expected to visit the United States and will spend an estimated $11.5 million on U.S. goods and services while they are here. From this one country, from this one program, an amount of money will be generated in the United States that is nearly equal to the entire budget that your committee is recommending for this agency.

Maintaining funding for USTTA will nurture this fledgling private partnership which holds considerable promise for increasing Federal tax revenues from tourism export trade, contributing positively to the baiance of payments, and increasing employment opportunities for American workers. Of equal and eminent importance to USTTA's contribution to our trade balance is its contribution to policy formulation aimed at countering terrorism.

Mr. Chairman, much of the testimony that is offered in support of the USTTA necessarily focuses on its important promotional role and the role it plays in the international competition between governments for foreign exchange earnings from tourism. That is important. It is in the national interest. But what is sometimes overlooked is the essential role of USTTA in focusing leadership for tourism within the Federal Government.

After all, travel and tourism represents the third largest retail industry in the United States. It is the fastest growing sector of our economy. It is the leading service industry regarding export earnings generated for this country. The idea that an industry of this importance and of this magnitude would not have a focus in the Federal Government is to me and to the industry, I am sure, astounding.

In a major message in the fall of last year, Pope John Paul II, speaking to the World Travel Congress of the American Society of Travel Agents, said, "As people of good will strive to eliminate injustice and discrimination and seek to transform the world into a civilization of love, the encounters engendered among peoples through travel are not only a condition for the realization of peace, but a positive contribution toward world peace itself."

Our industry now, more than ever, is committed to the survival of the USTTA, not only as an essential contributor to our international trade performance, but as one of the most viable instruments our government has to foster world peace.

Thank you, Mr. Chairman.

[The statement follows:]

STATEMENT OF WILLIAM D. TOOHEY, PRESIDENT, TRAVEL INDUSTRY ASSOCIATION OF AMERICA

The Travel and Tourism Government Affairs Council appreciates the opportunity to present testimony in support of the reauthorization of funding for the United States Travel and Tourism Administration (USTTA).

The Travel and Tourism Government Affairs Council, an affiliate of the Travel Industry Association of America, consists of 31 major national travel and tourism trade organizations and officially represents the entire industry on government issues of common concern . As a coalition of the diverse segments that make up the travel and tourism industry, the Council includes representatives from the areas of transportation, accommodations, food service, travel agents, tour sales, recreation and attractions. The vast majority of these industries are small businesses.

The travel and tourism industry continues to be vitally interested in the purposes of the National Tourism Policy Act and its designated principal instrument of policy implementation, the United States Travel and Tourism Administration.

It was through the bi-partisan efforts of this Subcommittee, Chaired by Senator Pressler, that USTTA has been funded at $12 million for the past three years, reversing in 1983 a six-year trend of continuous reductions in funding.

In 1984 the government received $13.6 billion in tourism-generated federal tax revenues with nearly three-quarters of a billion dollars ($703 million) of this coming from foreign visitors according to the United States Travel Data Center. Our export earnings from tourism were $13.9 billion and $19.6 billion when airline passenger receipts are included. The travel and tourism industry contributed 479,000 of the new jobs created in the United States in 1984.

In addition, the travel and tourism industry has proven itself to be a dependable source of abundant job opportunities for minority groups that have traditionally found it more difficult than others to find jobs. The industry employs 806,000 blacks (6% more than the national average), 531,000 Hispanic-Americans (24% more than the national average), nearly 4 million women (22% more than the national average) and approximately 3.3 million youths, 16 to 24 years of age.

The U.S. Department of Commerce announced recently that the 1985 trade deficit was estimated to be $148.5 billion--up 21 percent from 1984 and over twice the 1983 record of $69.4 billion. The services sector of the U.S. economy has become a major source of export receipts in the U.S. balance-of-payments account. While services exports remain strong, they no longer offset the increasingly higher manufactured goods trade deficits.

The tourism export industry is a growing component of services sector trade. Tradeable business services represent a wealth of intangibles exported by U.S. firms—construction and engineering services, management consulting services, and many others including all the food, lodging, transportation and entertainment we provide to foreign visitors during their stay in the United States which make up the tourism export product. Services now account for 70% of all employment in the United States, and two-thirds of our gross national product.

International travel provides an effective promotion and distribution network for a myriad of U.S. products and services. While the majority of export industries maintain a primary objective to sell large quantities of domestic products overseas, the travel and tourism industry sells large quantities of domestic products to a captive audience of international visitors who travel to the United States. The significant amounts of agricultural and manufactured products consumed by international visitors in the United States demonstrates the versatility of the tourism product as many exports rolled into one. In other words, tourism works in tandem with, and more importantly, to the benefit of, other export industries. For example, foreign visitors spend over $3 billion here annually on the purchase of gifts and products to take home over and above what they spend on needed incidental services while here. They also consume an amount of beef equal to all of the cattle in Nevada and as many chickens as are raised in one year in California.

According to a report issued by the Office of the United States Trade Representative, the tourism export product accounts for over one-third of tradeable services exports, making it our largest tradeable service export. The Administration and the Congress recognize that the U.S. trade deficit has reached crisis proportions. The sluggish economies of most of our trading partners and the strength of the dollar, just now beginning to drift downward, mitigate against a quick solution to the trade deficit problem. Notwithstanding the difficulty of redressing the trade balance and the complexity of the issue generally, the Congress and the Administration will hopefully take further affirmative steps, this year, to improve our international trade position. Given that tourism is second only to chemicals, in terms of export receipts generated, and by far the largest U.S. export earner among tradeable services, we would find it unthinkable that our industry would not be considered as an integral part of any emerging export strategies. This brings us to a troubling situation that can not be separated from the deliberations of this Subcommittee on Appropriations funding levels for USTTA. This Administration, in its proposed budget for FY 1987, has proposed providing funds of $4 million to phase out USTTA. This is the seventh such attempt in 25 years to eliminate our national tourism office, two of those attempts by this Administration. Only the Congress prevented these ill-conceived efforts from succeeding.

Ironically, USTTA has been asked by this Administration to assist the island nations of the Caribbean in furthering the development of their tourism industries as part of the President's Caribbean Basin Initiative.

There is no other agency of the federal government that has the capacity to assist Caribbean nations or other friendly nations in tourism matters in support of U.S. foreign policy. In light of the number of developing nations of the world with tourism dependent economies, our government would be hard pressed to pursue its foreign policy related assistance initiatives without the technical resources available only from USTTA.

In addition, many nations friendly to the United States are currently experiencing major disruptions in their tourism flows due to terrorism incidents in their region of the world. The State Department and other interested parties in the Administration are relying on USTTA to contribute its unique expertise to emerging strategies necessary to bring normality back to the economies of these troubled parts of the world.

It is surely time that and the Administration recognize and nurture USTTA's role in fostering international peace and understanding as equal in importance to its contribution to export earnings. As we, as a nation, continue to pursue a policy of aiding in the strengthening of the economies of developing nations it is essential that we keep in mind that 175 governments around the world compete actively and directly for travel export dollars. It is therefore unlikely that our policy initiatives aimed at strengthening other nations' economies will be fruitful without, at least, the periodically necessary travel and tourism expertise of USTTA in policy formulation.

The U.S. government promoted outbound travel by U.S. residents after World War II as a key element of its strategy for rebuilding the war-torn economies of Europe. This strategy was so successful that by the end of the 1950's thirty percent of our trade deficit was attributable to tourism. With so many armed conflicts impacting national economies in all parts of the world today it is hard to believe that U.S. policy shapers will not again turn to tourism as a strategic tool for economic reconstruction assistance when peace comes. USTTA will have much to contribute to U.S. policy formulation in

these cases as it is currently doing in helping to resuscitate the faltering Caribbean Basin Initiative.

Beginning in the early 1970's, our industry has worked to heighten awareness of the small, but critical and catalytic role that government must play in the international tourism marketplace. The industry enthusiastically participated in the five-year National Tourism Policy Study which led to the passage of the National Tourism Policy Act.

Since passage of the National Tourism Policy Act in 1981, the industry has worked together to educate agencies of the Executive Branch, including the Office of Management and Budget (OMB), on the role of tourism in the national interest. Industry leaders have informally met since 1981 with OMB and White House liaison officers. Our findings were, and continue to be, enlightening if not heartening. Even though a number of travel industry firms annually and consistently spend over four times the national tourism budget on promoting tourism to the United States, OMB continues to suggest that the industry needs to do more. OMB also indicated in 1983 that a comprehensive marketing plan, identifying appropriate roles for both government and the private sector, would aid significantly in making USTTA budget recommendations.

Guided by OMB discussions, the Travel Industry Association of America, in 1983, organized an International Marketing Plan Development Committee to develop a suggested marketing plan for USTTA with emphasis on increasing the private sector's commitment to promoting travel to the United States. This effort was undertaken with the assumption that a good faith industry effort in response to OMB's suggestions would be, as a minimum, met with serious consideration by the government.

The Committee, made up of top international marketing executives from all segments of the U.S. travel and tourism industry, devoted a full year to examining the highly competitive international tourism market. Particular emphasis was placed on the increasing competition between governments for international visiitors, the historic and likely future performance of the United States in international tourism trade, and strategies available to begin returning the United States to its previously held competitive position. The direct cost and value of contributed services of this privately financed effort would have cost the government more than $500,000.

Task forces of the Committee circled the globe to visit seven key markets to determine the best approach for the United States to take in improving its competitive position in international tourism trade and how the private sector could make a greater contribution to a unified national effort. The Marketing Plan was presented to the Secretary of Commerce, USTTA and OMB on August 14, 1984. The government's response to this monumental effort of some of the best tourism marketing talent available, although by no means the formal response expected, was a recision message from the Executive Branch proposing to reduce USTTA's budget for 1985 by one-third and a budget proposal phasing USTTA out of existence by the end of FY 1986. This recommendation was clearly unresponsive to the industry's good faith effort to form a public-private partnership to improve our country's trade balance and was recognized as such by the Congress.

The Council recognizes the Subcommittee's commitment to fiscal restraints at this time when it is necessary to reduce the federal deficit and the likely repercussions of the Gramm-Rudman-Hollings Deficit Reduction Act on all facets of government funding. We fully realize that the economic health of the nation depends on the dedication of the Administration and the Congress to reduce the burdensome deficit. It is equally evident that this Subcommittee recognizes that international travel promotion is consistent with efforts to reduce the rate of growth of the national debt in that promotional investment dollars return significant tax revenues.

The current cooperative effort USTTA has initiated in West Germany, recommended in the industry's International Marketing Plan, involves participation by states, cities, and the private sector under the essential leadership of USTTA. Maintaining funding for USTTA will nurture this fledgling public-private partnership which holds considerable promise for increasing federal tax revenues from tourism export trade, contributing positively to the balance of payments, and increasing employment opportunities for American workers. Of equal importance to USTTA's contribution to our trade balance is its contributions to counter terrorism policy formulation and to shaping effective Administration policies aimed at strengthening tourism dependent economies in the Caribbean and in other friendly developing countries elsewhere in the world.

Tourism is a recognized instrument of world peace. In a major message in the fall of 1985, Pope John Paul II said: "As people of good will strive to eliminate injustice and discrimination and seek to transform the world into a civilization of love, the encounters engendered among peoples through travel are not only a condition for the realization of peace but a positive contribution towards peace." Our industry feels strongly that USTTA must be maintained as one of the viable instruments of peace as well as an essential contributor to our international trade performance.

[The following information was subsequently received for the record:]

QUESTIONS OF SENATOR PRESSLER AND THE ANSWERS

Question. Do you think the situation of the United States is so very different from Britain that we can afford to overlook the benefits to be gained by recognizing the importance of tourism as a growth industry? Can we afford not to be competitive at the national level?

Answer. Mr. Chairman, the situation of the United States is not so significantly different from the United Kingdom that we can afford to overlook the benefits to be gained by recognizing the importance of tourism as a growth industry. Many in the federal government do recognize tourism's importance. For example, the Office of the U.S. Trade Representative, in a 1983 paper prepared for GATT negotiations stated:

"The economic benefits of tourism are well known, but perhaps not fully appreciated. It is an important source of income and employment for nearly all countries. The construction of tourist and travel facilities and establishment of accompanying services can aid in stimulating economic growth and development, especially for those countries with few natural resources and limited industrial capability. Earnings from tourism and other 'invisibles' are particularly important for countries with deficits in merchandise trade. Because of the wide range of activities involved, tourism contributes to the livelihoods of many industries, companies and individuals. With continued worldwide expansion of personal income and leisure time, tourism promises to remain one of the leading growth industries of the future."

We must compete in the world marketplace for international tourism if we do not wish to see our substantial export earnings from tourism eroded by competition from other governments. The lesson of other U.S. industries is too recent and too obvious to be ignored. We have experienced losses in market share in electronics, steel, fabrics, shoes, etc. to the point that the United States has withdrawn from international competition in trading these goods. As a nation, we cannot continue to withdraw from international competition, product-by-product and service-by-service without recognizing the ever limiting prospects of such a national policy, whether by design or neglect. The fact is that we cannot afford to withdraw from any area of international competition without serious impacts on our national economy.

Question. It has been suggested that travel and tourism associations like yours would be willing and able to replace the services offered by the USTTA should the agency be eliminated. Do you think this is possible given the diversity of the tourism industry? Could private industry offer services so effectively and efficiently to such a broad cross-section of travel and tourism interests as the USTTA does now?

Answer. Mr. Chairman, associations and companies of the private sector have always been willing to provide services to the industry and, in fact, have helped USTTA to provide many of the services the agency provides. However, since more than 170 governments are committed to international tourism promotion as a government "arena of operation" it is very difficult, if not impossible, for the United States to unilaterally change that market dynamic by throwing a private sector apple into a barrel of government oranges. Any market defines how business will be done, or how it will be allowed to be done, and any individual participant in the market must play by the established rules or be excluded from full participation.

The question ultimately gets down to, how can the public and private sector best divide responsibilities to the maximum advantage of the United States' economy. If that is the issue, then clearly, the USTTA is the appropriate organization to serve the functions they now serve.

If the USTTA for any reason should cease to function, the principal obstacle to the privatization of the entire U.S. international tourism effort would not be "who is most able, most efficient, or most effective," but how would the financial responsibility be shared equitably throughout a diverse industry? The equity issue aside, there are a number of USTTA functions that cannot be privatized. Beyond the economic benefits of tourism are its cultural and educational values. The Manila Declaration, adopted by the World Tourism Organizaton at its 1980 conference, emphasizes intangible benefits, such as the improved quality of life and other sociological values. By bringing different people together, tourism can help to promote better understanding and good will around the world. These benefits are the pursuits of governments, by definition, and not the private sector and are necessarily responsibilities that are rarely, if ever entrusted to the private sector. As my previous written testimony indicates, the USTTA is engaged in a number of other activities that are outside of the realm of what the private sector could or should do on behalf of the national interest. Clearly the simple answer to your question is that the tourism private sector is prepared to continue its partnership efforts with USTTA but cannot replace USTTA without some significant losses in effectiveness.

Question. In your opinion, how essential is it for the United States to have a spokesperson for the Administration at the level of Under Secretary for Travel and Tourism? What does the U.S. stand to lose if it phases out the USTTA and that position?

Answer. Mr. Chairman, it is very important that the Administration have a spokesperson to knowledgeably address international tourism issues. The appropriate position of that spokesperson is dictated not by the industry's preference but by the situation in the international arena. Many other governments' National Tourist Offices are headed by Cabinet level officials while other are headed by officials with portfolios much larger than that of our Under Secretary. It would appear to us in the private sector that if we were dealing with issues of import to our corporate interests, we would be indeed foolish to send a junior executive into important situations to deal with senior executives representing our competitors. I should think that our country has a great deal at risk if we were to reduce the designated status of our national tourism representative. We would certainly be courting severe adverse economic ramifications if we were to eliminate our Natonal Tourist Office, the national policy status that its existence implies, and the importance it has in generating export earnings.

Question. How beneficial has the USTTA been to the international community relative to addressing the problem of travel security? Has the agency played an effective role in encouraging worldwide cooperation and communication?

Answer. USTTA was in the forefront assisting the Department of State and Transportation with estimates of travel flow impacts likely to occur from the late 1985 travel security breaches in Italy and Austria. It is my understanding that USTTA continues to provide important travel pattern impact data to the Department of State (DOS) and the Department of Transportation (DOT) related to traveler reactions to international incidents. The agency has consistently urged the private sector to ccoperate with DOS and DOT by communicating rapidly changing travel patterns in Europe and the Middle East to the federal government and communicating predicted traffic flow changes likely to occur from travel security incidents. As a result of the impetus provided by USTTA, the private sector American Society of Travel Agents has organized the Travelers Security Policy Council, to monitor and react to international security problems.

The USTTA's special knowledge of international travel and the agency's considerable private sector network and influence with that network has been very beneficial to national policy makers and to the international travel industry community in coping with this question of traveler security.

Senator PRESSLER. Well, thank you all very much.

Let me direct somewhat of a philosophical question to all of you, because we have the advantage of having our British friends here and to blend in with that, two of our leading domestic experts and leaders in the tourism industry. Incidentally, I notice, Mr. Hallissey, that attached to your statement is the Traveler Security Policy Council, which you might expand on a bit.

Whether we like it or not, we are probably in for a seige of some kind of terrorism. Even if types such as Qaddafi come and go, there are all types of fundamentalist issues, not just Arab, but related to people of various beliefs who see terrorism as a way of expressing themselves. Tourism is the industry that is probably most affected, very frankly, along with the related travel industries, be they airlines or whatever. If people decide to stay home, they will, but the tourism industry in all countries will be hurt very much, although it is true that there might be some short-range gains for the United States. I am told that some bookings, ironically, for the communist countries are up because they do not have a terrorism problem. I do not know if that is true or not for eastern Europe.

I am also told that for some parts of the world that are considered safe, bookings are up. I do not have that information statistically, but I always emphasize that the short-term gains in one area can quickly be offset, and we are as vulnerable as any other country. I think we would be very careful about any rejoicing about a shift in where people go because I think that tourism is a synergistic thing.

People going back and forth from one country to another is good. By this I mean we do compete, but yet we continue to need to work together basically. Certainly the distinguished people at this table are from two countries that have to work together very closely and are working together very closely against terrorism, but what can be done by the private tourist industry?

We know what governments can do and are trying to do, but there is this new group called the Traveler Security Policy Council. Is there a need for more international cooperation between the businesses which constitute the tourism industries? What can be done that we are not doing? I would like to hear from each of you. We will take volunteers.

Mr. GALE. I would agree with you, Senator, that it is the travel ethic which breaks down barriers probably faster than anything else. And if you or we are to surrender to international blackmail, then we have handed over immediately what the terrorist wants. Happily, that does not seem to be the case. I do not believe that will happen. We are not careless of the concerns of people that come to the United Kingdom, but we are also aware, those of us here today represent still areas of a country which as a whole has a police force which is still almost entirely unarmed, where it is still possible to walk the streets of our cities by day and night in total safety, and that is the message, I think, that we have to put across. We have to make it plain, and I believe that you have to make it plain, that while we will take and you will take every reasonable precaution at the end of the day, you can still be knocked out by a bus crossing the road. There is a belief that the most dangerous weapon in the world is a London Number 11 bus. I happen to believe that probably the New York taxi is more dangerous, but we do have to have a sense of perspective about the whole thing.

Mr. BEVAN. Yes. If I may, Mr. Chairman, I would emphasize the point of the danger which exists within our cities, all of our cities, regrettably, is much more substantial than that pressure which will come to exist from without, that the majority of such enterprises fail, thank goodness, and that we are in a good state of preparedness to ensure that that will continue to be so.

With regards to the international cooperation aspects of it, because it is an intergovernmental body, our own particular representation would be from the FCO on the World Tourist Organization which was set up in 1975 with its headquarters in Madrid.

However, we are not a member of this organization, in common with Ireland, Luxembourg, Denmark, Norway, and Sweden, because we feel, amongst other things, that the majority of advantages lay not with our own existing tourist patterns, but with emerging countries, and that the subscription of 150,000 pounds or dollars per year is somewhat overlarge.

Therefore we shall continue to support the particular bodies of the OECD, the European Travel Commission, and the working groups of national tourist organizations in the EEC. I would, without amplification of that, make two points.

The first point was made more excellently than ever I could do so by my prime minister in the debate in the House of Commons on the 16th of April, 2 days ago. She said, terrorism has to be defeated. And this was in defense of your own actions regarding Libya. It cannot be tolerated or side-stepped when other ways and other methods have failed, I am the first to wish that they had succeeded.

It is right that the terrorist should know that firm steps will be taken to deter him from attacking either other peoples or his own people who have taken refuge in countries that are free. This is a cautious plea for normality. Normality must prevail. The existence of travel must be maintained in its present patterns or else we are letting the situation deterioriate.

And finally, might I say this? One positive and excellent reason for continuing at least one pattern between your country and our own is that if you do not do so in the next few months you will not have the opportunity of seeing and supporting the royal wedding which is taking place in Great Britain, and which I am sure that many of your people would wish to see.

Mr. HALLISSEY. I think you have just given me a good promotional opportunity, sir.

Let me speak, if I may, Mr. Chairman, to the Traveler Security Policy Council that you mentioned. If I may, allow me to make a few remarks from the prepared documents that are issued by the Traveler Security Policy Council.

The statement of purpose is composed as follows: First of all, it is a group composed of U.S. and international travel industry representatives. It is not just a U.S. group. And its purposes are to maximize travel safety, encourage an ongoing dialogue between industry and government on critical issues which affect the traveler and his security, and to facilitate the formation and the formulation of common positions on traveler security and unified responses to terrorism against travelers, and if I stop at that point for a moment and point out what the council is really saying is that there is a great deal of misinformation being given to the public in general.

We made a plea yesterday in the House at a hearing there that there be a better system on travel advisories, that they be differentiated in terminology, that a travel advisory is issued if the Pope is going to visit a particular city, and there are no hotel rooms available a travel advisory goes out at the same time if there is terrorism activity or the fear in a city, a travel advisory goes out. We fear that there is confusion in the understanding of what this may mean, and therefore have asked that there be some differentiation in what travel advisories really mean.

As one simple example toward these ends the council is coordinating an exchange of information about measures that have been instituted by governments and the private sector to improve traveler safety about

terrorist incidents and their impact on tourism bookings and departures, and the public policies which shape the traveler's perceptions of the adequacy of counterterrorist measures being taken in whatever country, city, or part of the world in general.

Again, travel is a fundamental human right, and we are working towards the end to make that right understood and to protect the traveler around the world. We believe that there is a relationship between official policies, travelers' perceptions, travelers' decisions, and the nation's earnings from tourism. About 6 or 8 weeks ago France announced that travel and tourism was their most important product. We do not think that their tourism product will continue to be number one if the terrorist activities are allowed to continue. So, there must be some effort made as we look towards this and how we solve some of these problems.

I would like to say two things about remarks that were made earlier, if I may, that I think are important. A comment was made that U.S. flag carriers are the ones that are being targeted. Yesterday's incident in your country, sir, was not an American flag carrier, and so I do not want that misinformation given out from this hearing, because we are here to eliminate some misunderstandings, and I do not want that one to go forth.

Secondly, I think it is important to note that there is nothing unique about U.S. tax dollars for U.S. businesses. We are talking about an effort of an industry, and I think that most U.S. industries have had one form of subsidy or another, and we could start with the agricultural industry subsidiaries and some of their support. There was $25 billion generated in U.S. tax dollars last year from the industry that we are talking about expending $12 million in their budget. We would urge that this be looked at very seriously with that type of return. We feel that it is certainly something that should be funded to the limit and, we would hope, increased in its funding.

I would be happy to answer any other questions about the Traveler Security Policy Council if there are some, sir.

Senator PRESSLER. Mr. Toohey?

Mr. TOOHEY. Mr. Chairman, we believe that efforts to counter terrorism must primarily emanate from governments. That is where the answer to this problem basically is. What the travel industry can do, and what the travel industry is doing, is everything possible to provide for the safety of the traveler entrusted to a particular company or airline or hotel or whatever it might be. Secondly, the travel industry has to do whatever it can in this country and abroad to urge government to take appropriate steps to deal with these random outrageous acts of barbarism if we are to continue to live in a civilized world.

It is important for us and for our media to keep this in perspective, and I think in today's situation the misperception is what is causing the problem.

The likelihood of an American becoming involved in a terrorist incident while traveling abroad is very, very small indeed, and far less risk is offered than in traveling within your own country or driving in your

automobile. It is important to keep that in perspective, because if we do not, we are going to severely damage an industry that is critical not only to our wellbeing and our freedom to travel, but to our economy as well, and not only in this country, but in other countries around the world.

And so we need to take it seriously. We need to understand that it is a problem that can be dealt with most effectively by government. We need as an industry to urge governments to take the actions that are appropriate, and we need to work with our media to do the best we can to keep this problem in perspective.

Senator PRESSLER. I think there has been a great deal of excellent testimony this morning. I do have some additional questions to submit for the record.

I want to especially thank our friends from Great Britain for the perspective they have given us, and I want to thank all of our witnesses who have given of their time. We will be going to a markup on this bill soon in committee, and we shall try for a 3-year authorization. I will also be working with the Appropriations Committee, and we will try to retain this funding, but we do need the assistance of everyone in this room along these lines.

I want to thank very much Gerri Hall, who is a new staffer here, if she would stand up. If you have any further comments for the subcommittee, submit them to her. She has put together this excellent package this morning, and I want to thank her very much.

With that, I would declare this committee in recess.

[Whereupon, at 11:45 a.m., the subcommittee was adjourned, to reconvene at the call of the Chair.]

ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

STATEMENT OF HANK TODD, CHAIRMAN, NATIONAL COUNCIL OF STATE TRAVEL DIRECTORS, STATE OF MINNESOTA

In Minnesota as well as in many of the states throughout the country, there has been a growing awareness of the need and opportunity that international visitors present to states and local economies. Although several states have major international programs, the majority of states' programs, like Minnesota's, are very very limited and very dependent on the United States Travel and Tourism Administration in helping to implement.

Without the continued assistance and support of the USTTA, it is my belief that many state programs will be reduced and eliminated.

As a result of Gramm-Rudman-Hollings, as well as economic pressures within each state, most states are already in the position of having to reduce their commitment to international marketing and are in no position at all to expand their activities to replace the excellent work that is done on behalf of states in the international marketplace by USTTA.

I can speak directly to the Minnesota program—that if there was not a USTTA office in Tokyo, Minnesota would have no programming to bring visitors from the Asian market to Minnesota. Their expertise, service and professionalism allows us to be in the market. Without that, there is no question that we would abandon our program in that area. Similarly, in looking at other USTTA offices, our programs would be severely handicapped without the staff support and expertise these offices provide to us and to other states.

The bottom line in my opinion is that without USTTA foreign offices, the states in general would not be able to fill the void and that, in fact, many individual state programs would suffer greatly as a result. Several states have a very high identity and recognition in the international marketplace, but for most states working in the international market in tourism, there is a total lack of identity or understanding and without continuous and constant visibility on the part of the USTTA offices, most states' investment in the international market would be severely hampered. The continuation of the USTTA program is very vital to all of the states international marketing efforts and clearly benefits the entire country.

STATEMENT OF G. WENDELL COMBS, SECRETARY, KENTUCKY TOURISM CABINET

On behalf of the Tourism Cabinet of the Commonwealth of Kentucky, I want to thank the members of the subcommittee for the opportunity to submit a statement advocating reauthorization of the United States Travel and Tourism Administration for fiscal years 1987-89. As Secretary of the Kentucky Tourism Cabinet, I oversee five state agencies that promote Kentucky as a travel destination and protect and preserve Kentucky's natural attractions. USTTA is a partner in our efforts to stimulate Kentucky's economic growth through the increasingly important tourism industry.

I would first like to establish the national impact of tourism and travel. Tourism is the nation's third largest retail or service industry, accounting for $240 billion for the United States economy, according to the Travel and Tourism Government Affairs Council. Travel and tourism spending generates 4.9 million jobs directly, and another 2.2 million jobs indirectly. In fact, this industry is the second largest private employer in the nation. Tourism is truly a growth industry, an industry of the future. It is currently sustaining a 4 percent real growth rate annually, and many experts believe it will become the number one industry in the United States by the turn of the century.

We in Kentucky share in the economic benefits of tourism. Our third largest industry, tourism brings in more than $3.1 billion to our state annually. It is the second largest private employer, providing jobs for 110,000 Kentuckians, Tourism Cabinet research shows. Moreover, tourism brings in $228 million in state and local tax revenues each year. In Kentucky, we have recognized the value of spending money to develop tourism.

Having underscored the economic importance of tourism in general, we would like to focus on the specific role of international tourism. Data cited by the U.S. Department of Commerce shows that the United States attracted $11.4 billion in tourism receipts in 1984. To illustrate the impact of those tourism sales, consider that the United States collected more tourism revenue from visitors from France, Germany, Switzerland and other major countries than revenue from sales of manufactured goods to those countries. And even in the case of a major trading partner like Japan, tourism income from Japanese visitors nearly outstripped manufacturing sales to Japan.

As important as the international tourist dollar is to the USA, foreign tourism is becoming more and more important to other countries. Indeed, the U.S. market share in the world tourism market has slipped by 22 percent since 1976. This is a concern of all 50 states, not just those states that benefit most from the foreign tourist dollar.

Halting this erosion in market position is a major priority of USTTA. It is this federal agency that identifies and explores international markets on behalf of public and private tourism organizations, that works as a negotiator to remove trade barriers abroad, that acts as a good will ambassador for our nation, and that gathers and distributes important marketing data regarding tourism.

In this complex and competitive arena of world tourism, it is essential that our nation's efforts to attract travelers is coordinated and focused. That is precisely the important contribution of USTTA.

In Kentucky, we look to the future of international tourism with optimism. We have been to Japan to explore travel possibilities, and we are considering participating in a second mission, in cooperation with USTTA. We would count on USTTA's continued support as the Japanese market develops.

USTTA's activities in Canada also are of special interest to us, inasmuch as one-half of Kentucky's foreign visitors are from our northern neighbor. Kentucky benefitted, for instance, from USTTA's successful negotiations to remove a prohibitive Canadian sales tax on U.S. tourism literature.

In summary, we urge reauthorization of the United States Travel and Tourism Administration. Funding for USTTA is an investment in the future of U.S. tourism, an investment that will pay dividends for years to come. Thank you.

BITTERROOT RANCH
Dubois, WY., 8 April 1986.

DEAR SENATOR PRESSLER: Your secretary asked me if the United States Travel Service had been useful to me and I had to answer, "Yes", because I doubt that without their help I would have survived to write you. I am independent, individualistic and vastly mistrustful of bureaucracy so the admission is significant.

The United States Travel Service sent me journalists to stay at my ranch who wrote articles about their stay here which brought floods of French and Belgian tourists. The business amounted to about $50,000 a year for ten years and was self-generating with very little marketing effort on my part. The madness of an overpriced dollar and French Solcialism slowed this considerably, but by that time I was established.

Why should we have a coordinated United States program to promote tourism in this country? Because international tourism has become an extremely sophisticated, competitive business. The small units which make up our tourist industry are, for the most part, totally unequipped to tap a foreign market. The individual in South Dakota or Wyoming does not have any idea how to do it. He has neither the knowledge nor the funds. No doubt some things can be done on the State level, but to ask the states to carry the whole load is like asking them to set up their own intelligence services. The job to be done is analagous in many ways to the task of the CIA (for which I used to work). Other countries are taking this approach and it has paid off for them in a big way.

We need to have an effective and well funded group in each country which works closely with other U.S Government agencies like the State Department and private companies like the airlines. This agency needs to help place articles in sympathetic publications, to advertize, to influence travel agents and to win the cooperation of key individuals. It needs to stay in close touch with the industry it is helping and coordinate its activities on the state level.

In the past, publicity campaigns like those David Ogilvy conducted for Bermuda, France and Great Britain in America had a satisfying and spectacular success. I am convinced that we Americans have here by far the greatest potential in the world for tourism, especially in the Rocky Mountain region. It is pure madness not to capitalize on it and it is totally naive to expect it to be accomplished by a motel owner at Mt. Rushmore. How many languages is he expected to speak?

As people become more sophisticated, have more leisure and develop more hobbies, their vacations tend to become more and more specialized. They look for horseback rides, cycling, sailing, rock hunting, balooning, etc. All these possibilities which exist in America in such rich profusion need to be advertized in the appropriate places.

A drive for tourism can become an arm of American diplomacy. When people visit us they gain understanding and tend to go away feeling much more friendly. A real American tourist promotion service could be helping foreignors everywhere to see the good side of this country by giving more publicity to the positive, ingenious, delightful things which are being done here. The Communists and their allies have put tremendous effort into smearing America. We need to put a little effort into making the truth known more subtly than by the Voice of America.

At the same time, an American tourist promotion service needs to help the states provide the kind of destination which will sell the best abroad. People must know what kind of service they can sell. The attitude of Americans in the tourist business and outside needs to be changed so that they accept foreignors more graciously. Foreign tourists are mostly neither spies nor impoverished immigrants stealing jobs from real Americans. It should be easy to make our consulates stop treating visa applicants with rudeness and to facilitate getting visas. I have lost many clients thanks to their arrogance.

All indications seem to be that service industries like travel will grow very fast in the next few years. Other countries have understood this and are working hard to get as much of the pie as they can. It is naive to think that most individual American businesses or even states can compete effectively in such a sophisticated, international game. Our tourist industry is far too fragmented to organize this kind of thing. Perhaps the airlines can, but they need destinations to offer.

We can spend more than a billion dollars to attempt to reduce the dairy glut and thereby put a few thousand more ranchers out of business, but we shudder at the thought of spending $100 million to create jobs and help some of those ranchers find another solution to their problems.

I enclose a copy of my brochure because it shows how competitive in an international sense horseback rides have become. Other branches of tourism are the same. This trend will grow. Are we going to let the jobs and money go to other countries or strive for our share? It is time we stopped pretending to the world that we do not have an unemployment problem and a balance of payments problem in America and that we do not need foreign tourist dollars to help cure this. The arrogance we have shown in this respect is unjustified and ridiculous.

Sincerely.

BAYARD FOX.

KRIVIT & KRIVIT,
Washington, DC., April 15, 1986.

HON. LARRY PRESSLER
Chairman,
U.S. Senate Subcommerce on Business, Trade, and Tourism
Washington, DC.

DEAR SENATOR PRESSLER: As the principal of Krivit & Krivit, a law firm that represents state and local governments, I am writing to recommend the reauthorization of the United States Travel and Tourism Administration.

Since many of the law firm's clients are cities and counties with tourism potential, we have worked to encourage tourism promotion as an integral element in the local economic development planning process. USTTA has been an important tool for our work in assisting state and local government clients to design and implement effective strategies, programs and projects to promote local economic growth and job generation.

We believe tourism is a distinctly unique economic development activity that produces a triple dividend. First, if planned and executed correctly, tourism promotion can produce impressive results in job generation, stimulation of local economies, and creation of new businesses to serve the tourist trade.

Second, the cooperative effort implicit in developing programs and activities to stimulate tourism brings together disparate factions which might otherwise be in competitive conflict in site-specific economic development projects. This is particularly true in the regional setting, where coordinated tourism planning and project implementation has created alliances of units of local government and business organizations that had formerly been fierce competitors.

The third dividend from tourism is the potential to increase foreign investment at the local level and to promote international trade. Tourism development provides a means to showcase the community to foreign visitors. To the extent that international tourism promotion is focused on the foreign business traveler, investment and trade prospects are enhanced.

State and local governments, as well as private industry, need the United States Travel and Tourism Administration for coordinated technical support. We urge its reauthorization.

Sincerely,

DANIEL H. KRIVIT.

U.S. TOUR OPERATORS ASSN.
Washington, DC., May 14, 1986.

HON. LARRY PRESSLER
Chairman,
U.S. Senate Subcommittee on Business, Trade, and Tourism
Washington, DC.

DEAR SENATOR PRESSLER: On behalf of the United States Tour Operators Association, I submit the following statement for the record of the hearings held April 17th by your committee.

United States policymakers have focused on the physical protection of people and property and the use of deterrent force as the principal ways of countering terrorists. In the process they have sometimes forgotten that what they say is often as important as what they do in its impact on travel decisions.

The Public Report of the Vice President's Task Force on Combatting Terrorism suggested that the television medium especially can be co-opted by terrorists who stage atrocities as political theater for nightly transmission to America's households. However, some U.S. government spokespeople inadvertantly hype and misuse the media when they exaggerate or withhold information about terrorism that citizens need to make informed decisions about where and how to travel. The U.S. government, like the media, should develop a Counter-Terrorism Information Policy based on honesty, timeliness, and discretion.

Such an information policy would be based first of all on providing more reliable information than is now officially available to the travel industry and to the public on the actual risk of traveling abroad. Second, the government should collect and publish information on how terrorist and counter-terrorist acts impact on travel flows and what damage reduced flows have on society. The near collapse of cross-Atlantic travel has reached crisis proportions the scope and meaning of which are as yet not fully grasped.

The purpose of this statement is to focus on the first obligation of the government to honestly, promptly, and discreetly inform the traveling public of the risk of terrorism abroad. Travel advisories issued by the consular authorities of the State Department are the time-tested instrument to warn citizens of major dangers to overseas travel. Travel agents and the public trust these advisories; they literally stake their clients' and their own lives on them. People avoid destinations officially determined to be unsafe, sometimes causing severe economic damage to the affected destination.

Terrorism has severely strained the Travel Advisory process. A recent congressional action, if not corrected will undermine their credibility and usefulness. The Levine amendment to the Omnibus Counter-Terrorism Act of 1986 suggests strongly that travel advisories should exaggerate the dangers of terrorist attack in order to abuse them as political weapons. For example, U.S. authorities had considered security in the Rome and Vienna airports to be adequate before and after the December 1986 terrorist attacks but officials are now under congressional pressure to issue an advisory to punish the Austrians and Italians for not breaking diplomatic relations with Libya.

This tactic is desperately wrong. The best counter-measure to terrorism is an informed citizenry. By sometimes withholding life or death information and by sometimes crying wolf, the travel advisory is systematically being undermined and travelers increasingly are being placed at risk. The travel advisory process can be an accurate and timely consular protective instrument or a political weapon. It cannot be both.

Congress can defeat the Levine Amendment to eliminate that threat, and it can take the positive step of voting funds to keep alive the United States Travel Administration. The Commerce Undersecretary who heads the national tourist office is the senior travel industry-dedicated policymaker in Washington. She is responsible for the welfare of Americans abroad as the only senior person who can put the whole picture together of how the United States travel system relates to the World system which has become terrorism's battlefield. Travel Advisories are consular, travel, foreign, and counter-terrorism policy. The USTTA has a role in keeping them effective and for contributing to other aspects of travel's key foreign policy role.

Sincerely,

ROBERT E. WHITLEY, *Executive Vice President.*

U.S. SENATE,
Washington, DC., September 12, 1986.

ROBERT E. WHITLEY
Executive Vice President, United States Tour Operators Assoc., 211 East 51st Street, Suite 4B, New York, NY.

DEAR MR. WHITLEY: This is in reply to your recent letter regarding the provision in the Senate appropriations bill which reaffirms the requirement in existing law that the promotion and marketing activities of the United States Travel and Tourism Administration are to be directed exclusively towards the United States. The Appropriations Committee found it necessary to reiterate USTTA's mandate inasmuch as the Undersecretary of Commerce for Tourism was using the agency's resources to aid and develop plans for the Caribbean to attract U.S. tourists. Attached for your information is a copy of my letter on the matter to Undersecretary Tuttle.

As the first Chairman of the Senate Tourism Subcommittee, Chairman of the National Tourism Policy Study, and co-author of the National Tourism Policy Act, I believe I have a fairly clear idea of the scope of the promotional and marketing mandate Congress gave USTTA. As a ranking Democrat on the Appropriations Committee for several years, I also know that the Appropriations Committee has always intended that the funds appropriated for the marketing and promotional activities of the agency be used to promote the United States exclusively.

I hope the foregoing will explain why the Appropriations Committee felt itnecessary to include the language it did.

Aloha.

DANIEL K. INOUYE,
U.S. Senator.

Enclosure.

U.S. SENATE,
Washington, DC., June 18, 1986.

HON. DONNA TUTTLE
Undersecretary of Commerce for Travel and Tourism, USTTA, Room 1865, Department of Commerce, Washington, DC.

DEAR MRS. TUTTLE: At a time when our international travel deficit is the highest on record ($9.7 billion in 1985), and the Administration is proposing to eliminate the United States Travel and Tourism Administration, I read the recent article entitled U.S.

Maps CBI Tourism Plans in the June 17, edition of the Journal of Commerce, with a sense of deja vu. According to that article, the U.S. Undersecretary of Commerce for Tourism addressed the Caribbean hoteliers and tourism executives in Kingston, Jamaica, and outlined the plans and assistance which the U.S. government is developing to help the Caribbean attract international visitors, including U.S. tourists.

The International Travel Act of 1961, was enacted in an effort to reduce the international travel deficit which, at that time, was about one billion dollars. The Report of the Senate Commerce Committee at the time noted:

In the immediate postwar years the United States purposely encouraged foreign nations to improve their travel facilities and promote their vacation spots in order to attract American tourist dollars, which might thus serve as a painless form of recovery aid.

* * * * * * *

Down to the present moment our Government continues to follow a course of action whose net effect can only be to drain off even more tourist dollars. For example, just last September a bill was enacted to permit the duty-free importation of travel promotion literature of foreign governments and associations. Even now we are embarked on a $150,000 Commerce-ICA research project directed at helping 18 countries of the Pacific rim to develop their tourism potential. While hastening to smooth the way for American tourists, our Government completely lost sight of any need to attract foreign visitors. (S. Rep. No. 1493, to accompany S. 1 302. pp. 6-7. 86th Congress. Second Session. 1960).

As one who voted for the International Travel Act of 1961, and was an author of the National Tourism Policy Act of 1981, I know that Congress established the United States Travel Service and the United States Travel and Tourism Administration for the express purpose of promoting tourism to the United States.No where in the legislative history of either Act, or indeed in the Acts themselves, is there any indication that Congress intended either agency or its head to assist or advise foreign countries in their efforts to attract U.S.tourists.

Inasmuch as there is no statutory basis for the Undersecretary of Commerce for Tourism to undertake this role, I am somewhat perplexed by the article appearing in the Journal of Commerce. Similarly, I am concerned if any of the time and resources of the United States Travel and Tourism Administration are being used in this effort.

In view of our unprecedented international travel deficit, I believe it is especially important for USTTA to concentrate its efforts exclusively on the tasks for which it was established. Otherwise I am afraid the critics of the federal effort: will point to the growing travel deficit as proof that USTTA is not fulfilling its purpose. and contend that there is thus no justification to continue the agency.

Please be assured of my continued support for your efforts to implement the international marketing plan. and to promote the United States as an international travel destination.

Aloha.

DANIEL K. INOUYE,
U.S. Senator.

STATEMENT OF STANLEY HONG, PRESIDENT, HAWAII VISITORS BUREAU

The Hawaii Visitors Bureau strongly supports reauthoriztion of the U.S. Travel and Tourism Administration. Its work around the world is vital to the business of attracting visitors—nearly 21 million of them in 1984—to the United States.

It not only enhances the many facets of the tourism industry in the U.S., but it also assists in offsetting the very serious balance of payments problem confronting the Nation.

The HVB has joined with the USTTA in Europe, Asia, Australia and New Zealand in promoting and marketing tourism to th U.S. We strongly commend our Federal partner.

SILVER DOLLAR CITY,
Marvel Cave Park, MO, April 15, 1986.

Senator LARRY PRESSLER,
Chairman, Subcommittee on Business, Trade, and Tourism.

Senator Pressler, my background as president of the Travel Federation of Missouri, and my 37 years of active work in the travel industry, in addition to my participation on the United States Travel and Tourism Industry Advisory Council, brings me to a brief but inescapable conclusion concerning the work of USTTA and the funding thereof.

USTTA Works!

USTTA is a rare commodity in the annals of the federal government. It has the capability of significantly increasing this nation's GNP.

Plus . . . by virtue of successful program execution, USTTA can cause a significant decrease in America's balance of payments deficit.

Please clearly understand that I am an ardent supporter of limited federal spending. In this instance, the federal government ought to be like a major marketing corporation.

Those programs that are known to work, i.e., decrease the trade deficit and increase the GNP, must be the ones that are funded . . . cuts can and should be made elsewhere.

I am supportive of the proposed funding for USTTA: $13,000,000 for FY '87; $14,000,000 for FY '88; and $15,000,000 for FY '89.

Further, I am an apologist for more funding, but we must retain funds even at this low level.

Thank you for this opportunity to share my thoughts with you. Please know that I am happy to offer my assistance to your committee should the need arise.

PETER F. HERSCHEND, *President.*

TAG-A-LONG TOURS
Moab, UT, April 16, 1986.

Hon. LARRY PRESSLER,
U.S. Senator, Chairman of the Senate Subcommittee, on Business, Trade and Tourism, Hart Senate Office Building, Washington, DC.

DEAR SENATOR PRESSLER: I am writing to encourage you to support continued funding for the United States Travel and Tourism Administration.

Tag-A-Long is a small company located in southeastern Utah. We operate whitewater rafting expeditions, principally on the Colorado River, and four-wheel-drive expeditions into Canyonlands National Park. Each year we host some 8,000 visitors and, at our peak, employ an average of 60 people. A copy of our 1986 brochure is enclosed.

Forty percent of our guests come from outside the United States, most of them from Europe. Briefly stated, without USTTA, we would not have this overseas market.

On the following pages, I have listed the several ways we use USTTA and have also described our accomplishments overseas.

All of us at Tag-A-Long urge you to continue your efforts to build support for USTTA and, indeed, strive to put it on a more permanent foundation so that it can undertake vital long-range projects without the annual threat of extinction looming ominously above.

If appropriate, you have this letter entered into the Federal Record. Also, if you or your staff have any questions, please do not hestitate to call me or write. USTTA is so important to Tag-A-Long that we will do our best to support it—without it, small companies such as ours would surely suffer the loss of a considerable part of our business.

Sincerely

PAUL M. NISKANEN, *Proprietor.*

Enclosure.

WHY USTTA IS SO IMPORTANT TO TAG-A-LONG

1. To newcomers in the international marketplace, USTTA helps companies learn the structure of the markets.

During our first trip overseas, the regional offices of USTTA helped us understand how the markets operated and introduced us to the USA product planners at

those companies most important to us. Without their assistance, we would have had no idea where to begin.

It is important to stress that USTTA did not do our work for us; rather, they helped us help ourselves.

2. USTTA assists American companies (and their overseas customers) overcome language barriers and avoid cultural mistakes.

Often, when approaching an overseas business, we are insensitive to important local customs. (Particularly in Japan). Of course, the language can also be almost an insurmountable hurdle. In this respect, USTTA has been most helpful with advice and guidance.

3. USTTA is a constant presence in the market. Therefore we look to it to provide us with periodic updates about the market and changes within it.

At the beginning of each of our regular overseas sales trips, our first stop is at the USTTA office to ask about changes and current conditions in the country we are visiting. This is a most important service for small companies who canot afford permanent representatives or offices overseas.

4. USTTA maintains close contact with the travel press in their regions and helps develop and arrange travel writer visits.

USTTA is our primary means to identify the most important magazines and newspapers in the countries in which we market our expeditions. Even if we could identify the most important media ourselves, it would be difficult for us to find the proper travel writers and decision-makers in those organizations.

5. Under the organizational umbrella of USTTA, US companies participate in travel exhibitions, workshops and other promotional events that would be difficult or impossible for the individual participants to organize on their own.

A classic example of this organization is the important "ITB" trade show in Berlin, Germany. This is an important trade show but one which is very difficult to utilize successfully.

For years USTTA has organized the American pavilion at this show. By buying a booth or tables within this pavilion, the private sector pays for the costs. However the private sector has no capability, on its own, to coordinate the myriad of details required to successfully exhibit at this annual show.

Furthermore Tag-A-Long would be lost among the 50,000 visitors attending the ITB without USTTA's assistance in locating the important overseas buyers.

6. USTTA provides accurately-targeted vehicles for us to advertise to the overseas travel industry.

Operating on our own, we would have scant idea where to begin advertising in an overseas country. In addition, much of our advertising would be mis-directed, using most publications, since they are often targeted towards readers having little interest in travel to America.

7. USTTA helps American companies become acquainted in new countries.

We have recently begun promoting our expeditions in Italy. Right at the beginning, one of our first contacts was the new USTTA office in Milan. A few years ago we also worked closely with the USTTA office in Japan and determined that Japanese were not yet interested in our product—a determination which saved us considerable time and scarce promotional dollars.

TAG-A-LONG'S ACCOMPLISHMENTS IN OVERSEAS MARKETS

Described below are some of our accomplishments overseas. Please bear in mind that the concept of a river-rafting vacation did not exist in Europe prior to our efforts several years ago since there are few comparable experiences in that region. With USTTA's assistance, we have accomplished the following:

1. Approximately 3,200 overseas guests visit Tag-A-Long each year.

2. In the Federal Republic of Germany our expeditions are promoted in the tour catalogs of at least 18 different tour operators. In total we are mentioned in at least 3 million copies of brochures in that country.

Similar agreements have been reached with a number of tour operators in other European countries: France, 12; Belgium, 3; Holland, 1; Switzerland, 3; Italy, 3; and Sweden, 1.

3. As a result of our efforts and USTTA's assistance during the last decade, we have hosted 30,000 to 40,000 overseas visitors on vacations in southeastern Utah. In addition, we have invited nearly 750 overseas tour operators, travel agents and travel writers to experience our expeditions in person.

The economic benefits derived from these visitors flow not only to our company but also to nearby motels, restaurants, grocery stores, gas stations, local airlines and, alas, even to our competitors.

This economic impact is particularly welcomed in light of the severely depressed mining and minerals industry in our area.

FIRST FAMILY OF TRAVEL SPECIALISTS, LTD.,
New York, NY, April 25, 1986.

Hon. LARRY PRESSLER,
Chairman, Subcommittee on Business, Trade and Tourism,
U.S. Senate, Washington, DC.

DEAR SENATOR PRESSLER: This letter, which is intended as a statement for the record of the April 18 hearings on USTTA funding, explores the central theme of a series of articles entitled "You Can't Shoot Your Way Out of Terrorism" appearing in the April 17, 21, and 28 series of *Travel Agent* magazine.

Travel is the principal communications medium linking our open, democratic, capitalist, information society to the rest of the world. Postal and telecommunications systems and the press also are important, but they are not all-important, as the essential information infrastructure of foreign policy and all other international endeavor.

However, conventional wisdom in the United States treats travel and tourism as if it were merely a discretionary leisure activity and not a vital infrastructure business, like the current policy favorite telecommunications, on which other economic and social activities depend. Because foreign policymakers do not value the preservation of international travel flows as highly as they value the preservation of other means of keeping Americans informed about the outside world, travel policy is mostly treated with benign neglect and sometimes is sacrificed to achieve other foreign policy objectives.

This is the critical flaw in America's counter-terrorism strategy which increasingly has relied on the travel-reducing unilateral application of economic and military force. Guns and tourism do not mix. People avoid war zones. European government leaders caution restraint because violence begets violence and their territories are the principal battlegrounds in the rapidly escalating terrorist-counterterrorist war. Detailed body counts of victims are part of the political theater staged for the media by both sides to 'signal' resolve to raise the level of pain until the other side capitulates. Public tension in the USA is running so high that psychologists have labeled it mass hysteria. Potential travelers to Europe and the Middle-East are frightened, confused, and angry—so they stay home.

The recent U.S. air attack on Libya was also in its effect a billion dollar bombing of the transatlantic travel industry. The United States international airlines, cruise lines, hoteliers, tour operators, travel agents, and other travel companies that comprise the U.S. portion of the Atlantic travel infrastructure have been devastated. U.S. travel flows to the region, already off by 1.8 million passengers before the air attacks on Libya, have plummeted to disaster levels.

Prior to the military strikes, U.S. counter-terrorism policy had tried to isolate Libya economically from the rest of the world. Other countries ignored the U.S. appeal to sever travel and trade. The lonely U.S. embargo and travel ban failed. Throughout the embargo exercise and especially now that the United States are engaged in an undeclared shooting war, the real economic and social sanctions have been against America's strategic Mideast allies Israel and Egypt, Europe, and our own travelers and travel industry.

In short, economic and military sanctions rarely achieve their objectives, but always destroy travel flows. Maintaining outbound U.S. travel flows is as important a national foreign policy objective as protecting U.S. travelers. Both travelers security and travel flows have been sharply reduced because of the way the government has chosen to combat terrorism.

The point of this analysis is that U.S. counter-terrorism policy was made without factoring in travel as a principal foreign policy objective in its own right. Instead, travel denial is being used as a weapon to hurt the Libyans and the U.S. allies that have not agreed to follow the prevailing U.S. policy of sanctions against Libya.

One of the reasons for this is that the Undersecretary of Commerce for Travel and Tourism was not a member of the foreign policy team that decided to emphasize travel bans and military retaliation as the principal policy instruments to counter terrorism. The Undersecretary is the principal travel industry-dedicated policymaker in Washington. The Secretary of Transportation, who outranks her,

represents too narrow a perspective. The travel and tourism undersecretary is the only person in the administration positioned by law to look at the entire picture of how America's travel system fits into the world system.

Given the obvious fact that tourism and overseas official installations comprise the terrorism battleground, and given the foreign policy urgency of maintaining a travel presence overseas, it is inconceivable that America's senior policymaker was not a member of the Vice President's Task Force on Combatting Terrorism that recommended the use of economic and military sanctions as off-the-shelf policy options independent of the actions of other countries. Neither is the Undersecretary a member of the International Group on Terrorism. It is difficult to understand how a rational counter-terrorism policy can be made in such an informational vacuum.

The full extent of the travel disaster brought on as much by U.S. counter-terrorism policy as by terrorist acts will not be known for some time, but the outlines are appearing on the front pages of the *New York Times* and in other media as they document massive distortions in travel patterns. Terrorists have succeeded beyond their wildest dreams in isolating their victims with the assistance of a U.S. counter-terrorism policy apparatus which does not yet have the capability of factoring in the all-important travel equation.

The United States Travel and Tourism Administration has a vital foreign policy and even national security role. Congress must act to strengthen that role not only by additional funding to bolster USTTA's policy capability, but to impress upon the administration the desperate need for other policymakers to understand the grave consequences of their ignoring travel as a policy priority.

Sincerely,

CORD D. HANSEN-STURM.

SUPER 8 MOTELS, INC.,
Aberdeen, SD.

Senator LARRY PRESSLER
Chairman, Subcommittee on Business, Trade, and Tourism
Washington, DC.

DEAR SENATOR PRESSLER: I am sorry that my schedule does not permit me to be in attendance at the Subcommittee on Business, Trade and Tourism meeting on April 18, 1986. I do, however, very much want to share my feelings with regard to the reauthorization of the U.S. Travel and Tourism Administration.

To begin with, the proposed authorization levels for $13 million, $14 million and $15 million (for FY '87, '88 and '89 respectively), is not enough. When one pauses to realize that the entire budgeted support for travel and tourism represents the equivalent of one small military aircraft, it puts things into perspective. The most marketable product that we have (our country) goes virtually unmarketed while we spend $20 billion annually to support farm programs which have historically never worked.

Without elaborating on all the positive aspects of tourism, (ie; creation of jobs, generation of tax revenues, improving balance of trade, etc.) let me just say that there is no better return on investment than the promotion of tourism. It is an industry that benefits all 50 states in jobs creation. I think it is self-evident that travel and tourism in the U.S. is vital to the economy.

Thank you for allowing me to express my opinions. Continued thanks, also, for your efforts on behalf of tourism.

Sincerely,

DENNIS E. BALE,
Vice Chairman and Chief Executive Officer.

○